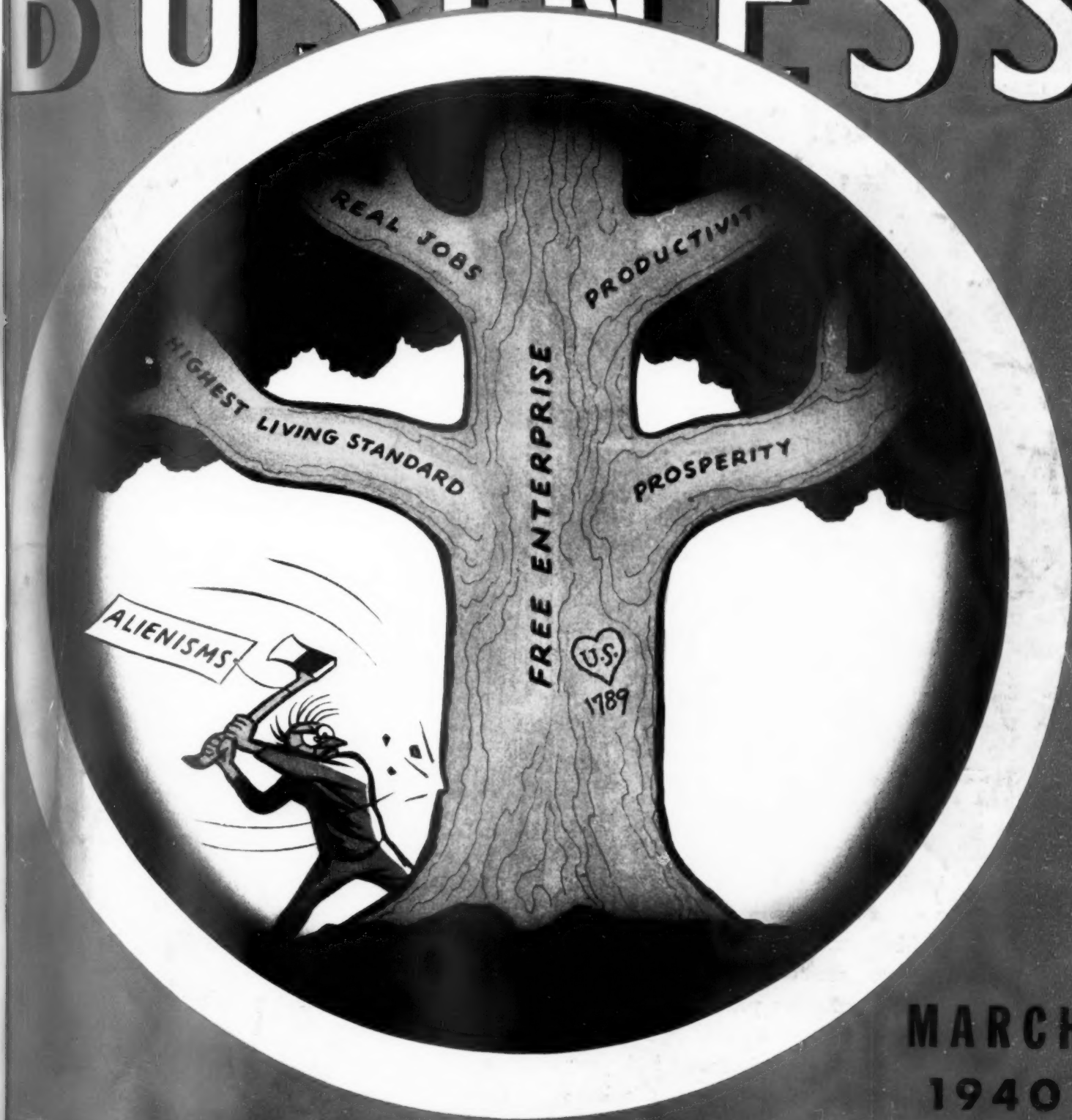


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NATION'S

MAR 4 1940

BUSINESS



MARCH
1940

Trade Agreements—Bane or Blessing? • Rackets on the S.E.C. Front •
Charting New Routes for Commerce • The Case for Public Utilities



The customer is always right at hand—by *Long Distance!*

A friendly telephone talk is like a handshake across the miles. It adds *tact* to many kinds of business *contact*.

When you aren't able to visit all your customers as often as you'd like, you can still keep in close touch by Long Distance.

When you travel, it saves *both* your customers' time and your own to telephone ahead for appointments.

When you reach a central city, telephoning the outlying accounts that you can't see every trip often produces orders that might otherwise slip away.

When you learn of a pending price change, it usually pays to pass it along promptly—by telephone.

Such timely, *personal* calls build the good will that builds business.



Shake Hands with
Our Contributors

PROMINENT among the political issues now competing for attention, and one that is likely to run right up to the presidential election, is the controversy over trade agreements with foreign countries.

Oliver McKee, Jr., Washington correspondent for the *Boston Evening Transcript*, was asked to bring NATION'S BUSINESS readers up-to-date on the subject and point out the pros and cons that will be debated over the air and in the press.

Charles M. Hackett is an employee of E. I. du Pont de Nemours & Company.

Sylvia Porter is a 25 year old financial columnist of the *New York Post* and author of a weekly column on the bond market in the *Investment Dealer's Digest*. She came into prominence some time ago when an article she wrote on the Treasury Department's method of allotting oversubscribed issues of government bonds received widespread attention. She prepared one of the *Post's* annual financial review sections single-handed and won much praise for its conciseness. All letters to the financial column begin, "Dear Mr. Porter." In private life she is Mrs. Reed Porter, wife of an investment banker.

Vernon E. Brink is a Minneapolis freelance writer who became interested in the subject of cold storage lockers while visiting with friends.

Theodore Pratt is the author of several novels, the play *Big Blow* which ran for six months in New York during the season of 1938-39, and a frequent contributor to magazines. His material for the article on due bills was obtained by personal interview with men mentioned in the article.

Erwin H. Schell is head of the department of Business and Engineering Administration at Massachusetts Institute of Technology with many years of engineering and administrative service in private organizations.

John Angus Haig is familiar to NATION'S BUSINESS readers as the author of unusual articles on such varied subjects as frog farms, chinchillas and Catalina.

The Case for Light and Power is the third in a series of special articles on industries that are threatened with governmental control and bureaucratic administration. Probably there is no branch of industry in which the tenets of Socialism have been so thoroughly advocated as by the proponents of government owned and operated electric power systems. This article gives a brief history of electric power development under private ownership and points out the danger it faces from political forces that would place management in the hands of governmental agencies.

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NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE U. S.
VOLUME 28 Merle Thorpe, Editor & Publisher NUMBER 3

Managing Editor, RAYMOND C. WILLOUGHBY; Business Manager, LAWRENCE F. HURLEY; Director of Advertising, ORSON ANGELL.
GENERAL OFFICE—Washington, U. S. Chamber Building. BRANCH OFFICES—New York, Graybar Bldg.; San Francisco, 333 Pine Street; Dallas, 1101 Commerce St.; Chicago, First National Bank Building; Atlanta, Chamber of Commerce Building; Canadian representative, 530 Board of Trade Building, Montreal, Quebec. As the official magazine of the Chamber of Commerce of the United States this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers.



HOW WOULD YOU SOLVE JOHNSON'S PROBLEM?

Johnson & Walters had been partners for years in a prosperous business. Walters died. His death dissolved the partnership—and Johnson was faced with four alternatives:

1. Liquidate the business and divide the assets—*But no one wants to liquidate his job.*
2. Enter into a partnership with Walters' widow—*But that is rarely a practical or desirable step.*
3. Find an outsider to buy Walters' interest—*Would you share equally with an unproved partner?*
4. Buy Walters' interest himself—*That's what you'd prefer, in all probability, if you were Johnson.*

Buy that interest with what? Northwestern Mutual Business Insurance provides a practical businesslike answer to that problem. On the basis of a prearranged "buy and sell agree-

ment" the interest of the deceased partner may be acquired by the surviving partner, who will then be free to continue the business.

The plan automatically produces the money exactly when needed; the death which creates the need for cash creates also the cash with which to meet the need.

You see the unique features of this practical plan! It offers protection not only to the family of the deceased partner but also to the surviving partner by making his business future more certain and secure. In other words, the interests of the partners

are protected whether they live or die.

The annual premiums accumulate a growing reserve—the cash inventory value of the insurance. This reserve bolsters credit—can be borrowed on without publicity.

In meeting this problem that will confront your business, consult a Northwestern Mutual agent. He represents what is truly a "businessman's company"—long distinguished for its conservative methods and practices, for its mutuality, for its strength and devotion to the interests of its policyholders, for its enviable record for low-cost insurance.



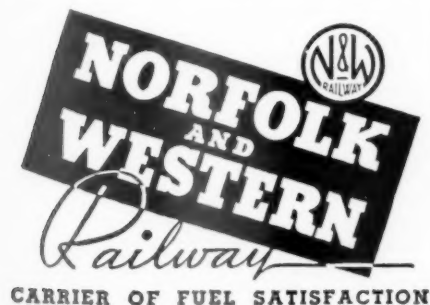
THE NORTHWESTERN MUTUAL
Life Insurance Company, Milwaukee, Wisconsin



SATISFACTION DOUBLY CERTAIN

FOR comfort, convenience, dependability and all 'round efficiency, Fuel Satisfaction is unsurpassed. These important characteristics of this quality coal mined along the Norfolk and Western Railway assure dealers of a constant consumer demand . . . resulting in repeat orders and more dealer profits. There's comfort in Fuel Satisfaction's smooth, even heat; convenience in its many varied uses; dependability in its uniform composition; and efficiency in the maximum heat-producing qualities of this popular fuel. Then to make satisfaction doubly certain, Fuel Satisfaction is available in any quantity, anywhere, at any time through the Norfolk and Western Railway's modern transportation service.

Let a Norfolk and Western representative tell you all about Fuel Satisfaction. Just call or write: Coal Traffic Department, Roanoke, Va., or any of the railway's Coal Bureaus located at the following addresses: 833 Chamber of Commerce Building, Boston; 819 Marquette Building, Chicago; 904 Dixie Terminal Building, Cincinnati; 1819 Union Commerce Building, Cleveland; 1740 Book Building, Detroit; 1105 Reynolds Building, Winston-Salem; or any representative of the railway's Freight Traffic Department.



Through the EDITOR'S SPECS

New bureaucratic yardstick

"TO DIMINISH the causes of labor disputes burdening or obstructing interstate and foreign commerce," the National Labor Relations Act was written.

The degree of the Labor Board's success in diminishing the causes of labor disputes can't be set forth statistically, because, instead of diminishing, there has been about a 300 per cent increase of men involved in disputes. But Chairman Madden, in his appearance before the Smith Committee, used statistics of another kind to prove the success of his Board. In 1938, he said, the number of pages of testimony taken in Board litigation was 913,845, against only 572,839 for the Interstate Commerce Commission, Securities and Exchange Commission, Department of Agriculture, Board of Tax Appeals, Federal Trade Commission and Federal Communications Commission combined, or 365,538,000 words, against 228,935,600. According to Chairman Madden's yardstick, the Labor Board has been 63 per cent more successful than all the other commissions named.

An average sized novel contains 40,000 words. Mr. Madden's output for 1938, therefore, equals 9,148 volumes. It would take a member of the Book-of-the-Month Club 764 years to read them.

"Bring your pistol, Watson"

G-MEN FROM J. Edgar Hoover's Scotland Yard have been enjoying a pleasant interlude from the hazardous business of trailing public enemies. A squad of them descended on Philadelphia to question the agents of a life insurance company.

"This is a criminal investigation," said the F.B.I. men. They tried, apparently without success, to find an agent who knew someone who had been fired for testifying before the T.N.E.C. at Washington. They also asked some of the men the irrelevant question, "Why haven't you joined the union?"

A rather bizarre by-play of an investigation widely heralded by its

chairman and others as "no witch hunt," but an "objective" study "to gather substantive facts regarding the economic situation."

Definition

A BUREAUCRAT is a chap who has traded his bunk for a berth.—Contributed by a reader in epigrammatic mood.

Washington optimism

THE WHITE HOUSE Conference on Children in a Democracy demands for the youth of America "real work at real wages, whether in private employment or on a federal work program." Apparently it doesn't make much difference which kind of work, to the Children's Bureau of the Department of Labor, which engineered the conference.

Proudly the Children's Bureau reported to the conference on the past ten years. It pointed to the fact that 99 per cent of assistance to needy families now comes from public sources. Ten years ago barely one American in 100 was aided by public funds; now it is 16 in every 100.

For posterity's sake

BY WAY of encouraging some of our "mute inglorious Miltons" on relief, W.P.A. has published a tome somewhat thicker than Manhattan's telephone directory with the title, "An Inventory of County and Borough Records of Richmond." When the job is completed for the whole city it will run to 15 more such volumes. All city records will be catalogued and a compendium made of all laws and ordinances by every lawmaking body in New York since Peter Minuit's day. Records of all churches in the city will be inventoried.

These "creative" projects are considered so essential that they probably will be undertaken in all the 3,360 counties in the country, the New York survey supervisor announces. To date the cost in New York has been \$1,200,000.

If the Writers' Projects run out of

...and George says that
cast iron pipe will save us
taxpayers money



IF the water supply system in your city is owned by the public (and most systems are) then your taxes or water rates are directly influenced by the length of life of the water mains. Cast iron water mains have a *proved* useful life at least double the *estimated* life of other water main materials. "George" is right. Cast iron

pipe has saved so many millions of tax dollars by avoiding replacements that it is known as Public Tax Saver No. 1. Its useful life is more than a century. It is the only ferrous metal pipe, practicable for water, gas and sewer mains, that rust does not destroy. It is available in sizes from 1¼ to 84 inches.



Century-old cast iron water main serving and saving taxes for the citizens of New York.

**PUBLIC TAX SAVER
NUMBER ONE**

CAST IRON PIPE

THE CAST IRON PIPE RESEARCH ASS'N, T. F. WOLFE, RESEARCH ENGINEER, PEOPLES GAS BLDG., CHICAGO

"made work" we have a few suggestions. Its literary artisans might be put to making a bibliography of all press releases issued by Washington bureaus. That should keep all hands occupied for a good spell, besides greatly stimulating the paper and pulp trade. Several thousand W.P.A. researchers might be assigned to codifying all the orders (laws) promulgated by quasi-legislative boards in Washington. If any time remains it could be consumed in compiling a short digest in 20 volumes of the long-range federal planning since 1933.

The case for insurance

"THE CASE FOR INSURANCE" in the January number of NATION'S BUSINESS brought reverberations from many points of the compass. Congressmen and Senators received so many calls from constituents demanding "hands off" insurance that the chairman of T.N.E.C. was implored by his colleagues in the Senate to call a truce. Senator O'Mahoney, in reply to a question, told the Senate that the agitation had been caused by an article in NATION'S BUSINESS and that his committee had no thought "of destroying the agency system of selling insurance."

No news to a NATION'S BUSINESS reader in that, for "The Case for Insurance" stated:

It has, however, never been charged that the T.N.E.C., as a separate and independent organization, has proposed or endorsed any plan for federal insurance supervision or operation. Its function has been simply to hear the testimony and accept the evidence presented under the immediate direction of the S.E.C., an agency of the administration.

One has only to read a few pages of the hearings to become convinced that the S.E.C. advocates federal control, abolition of the agency system, burial insurance, and an adaptation of state insurance. It is no secret in Washington that at least a minority report will advocate federal control.

Senator Wagner's proposal that the federal Government provide ten-year annuities brought exclamations of irritation from the S.E.C. camp, because "the proposal was sent to Senator Wagner for his study only."

Finally, the T.N.E.C. announced on February 7 that, in view of the charge that the insurance companies had not been given a fair hearing, they may now make application to be heard in rebuttal, and that "their invitation (sic) will be accepted within the limitations of our procedure." Furthermore, reports—80 volumes of them—will not be issued as planned this spring, but be postponed until fall to avoid "undesirable political implications."

"It will be recalled," says the state-

ment of the T.N.E.C., "that, in the early days of the Committee, prior to the 1938 campaign, it was charged that the hearings were to be held for the purpose of influencing that election. We did not do so."

Confession of a "liberal"

WE LIBERALS went wrong on the Russian Revolution because we accepted, covertly if not openly, the most dangerous and ultimately the most disastrous idea that can lodge within the human mind—namely, that the end justifies the means. We defended, or at least apologized for, evils in the case of Russia which horrified us whenever else they appeared and by whomsoever else they were done.—The Rev. John Haynes Holmes, pastor, Community Church, New York City.

Federal government on the job

BACK IN APRIL '39 we animadverted gently on the vital issue of where fashion is to locate the feminine waistline in 1940. Well, it seems that the federal Government took our suggestion seriously. The W.P.A., in collaboration with the federal Bureau of Home Economics, is measuring women in 200 cities to ascertain just where the waistline is to be. As a guide for these researchers a special manual was printed. It defines precisely this and other measurements such as the "sitting spread."

If we get the idea, the aim is to standardize styles and sizes in women's apparel. That's a daring conception. Some things can be regimented but we'd choose pants-pressers and chicken-dealers before women's dress.

In the name of conservation

THE U. S. Forest Service wants public ownership and management of private forest lands. Washington's foresters covet authority to prevent the owners of land from cutting trees without permission. A farmer would need a permit to cut a few fence posts on his wood lot.

The idea is not altogether new. Kenneth Roberts, author of "Arundel," says that, in colonial days, British officers often went through woods on New England farms marking particularly fine trees to be reserved for the King. The owners were charged not to cut such trees, although it is recorded that they didn't always obey this regulation.

Today's land owners probably will be as little disposed to accept this sort of official policing in the name of "conservation" as the colonists were "For King and country."

Apostle of hate

LEGAL thieving is still thieving. To go into a curtained room with a big pair of

BEHIND HIM—SPECIALISTS!



Many a baseball pitcher becomes great largely by virtue of greatness in his team-mates. . . . Each is a specialist in his position. Together they form a mighty support.

So it is with the Hartford inspectors who crawl into your boilers . . . "stethoscope" your engines, turbines and generators . . . search for disaster-threatening cracks, distortions and weaknesses. Behind them is a well-knit organization devoted *solely* to the task of insuring and safeguarding industrial power-plant equipment against disaster.

Each type of power equipment harbors its own peculiar charac-

teristics. Thus, with Hartford Steam Boiler, each receives the constant study of a group of engineering specialists engaged exclusively in power-plant accident prevention. *Specialization* — PLUS Hartford's experience of 73 years—has resulted in exceptional ability in diagnosing symptoms of impending trouble.

More than 400 Hartford Steam Boiler inspectors and their field supervisors bring this specialized service to you in your own locality. There is no other organization quite like it; no other company in which you can feel more secure. See if your agent or broker doesn't agree.

• *Hartford—specialist!—shop-inspects more than 90% of the nation's industrial power boilers; and covers a preponderant portion of America's insured power equipment.*

**THE HARTFORD STEAM BOILER INSPECTION
AND INSURANCE COMPANY** HARTFORD, CONNECTICUT

Just what is Patapar Vegetable Parchment

Reg. U. S. Pat. Off. & For. Countries



To outward appearances it's fine paper. But hold on! Perhaps you require material that can be soaked and *remain firm*; that can come in contact with grease and *resist it*; that can be wrapped around delicate foods and *be utterly safe and odorless*. Strenuous requirements these. All fully met by Patapar Vegetable Parchment, at a cost so low that it can be used freely. That's Patapar.

Patapar is made in many sizes, weights and finishes — sheets and rolls.



Products like these, and many others are packaged and protected by Patapar:

Butter	Ice Cream
Meats	Milk
Fish	Poultry
Cheese	Asparagus
Ham	Celery
Bacon	Roses
Sausage	Soap
Tamales	Frozen Foods

Maybe *your* product needs Patapar protection. Want to try it? Just tell us the use you have in mind and we'll send samples and full information.

Paterson Parchment Paper Company
Bristol, Pennsylvania
West Coast Plant: 340 Bryant St., San Francisco
Branch Offices: New York, Chicago
Headquarters for
Genuine Vegetable Parchment since 1885

shears and cut coupons for a half hour is to starve and kill the bodies and souls of men and women and children. . . . Nor does it matter what coupons you clip. . . .

And the people, when driven to distraction by 64-page editions of newspapers choked with lavish advertising side by side with tales of war and starvation, finally lose their patience. Then comes the opportunity for God and the Devil. For God can use impatient men. And so can the Devil.

It is the business of spiritual leadership to help God get a chance with the impatience of the masses. . . . Let us keep this yeasting of the people free.

These paragraphs of brotherly love are taken from an editorial in *The Protestant Digest*, a magazine that purports to speak the mind of world Protestantism. They are as foreign to the spirit of the great Protestant martyrs and of Him whose word they preached as Marx and Lenin declaiming against religion as "the opium of the people."

In this clash of two divergent philosophies—the collective and the free incentive systems—no group of our people is so badly misrepresented in the public forums as the churches. Those who take the trouble to investigate know that most Protestants abhor red revolution. Those who do not will be led to believe that this journal, which whips up class hate and the "impatience of the masses," is the voice of our dominant Christian bodies in America.

Testimony

THOSE WHO want some form of government health insurance tell us that many people are deprived of medical service because they haven't the money to pay for it. One wonders how many cases so catalogued by the critics of private medicine are like the one reported by the Bergen County (New Jersey) Medical Society.

A resident of that county wrote a letter to Mrs. Roosevelt complaining that he needed medical treatment and couldn't obtain it. The First Lady passed on the plea to Surgeon General Parran and he in turn wrote the Medical Society of New Jersey, which relayed the complaint to the Bergen County Medical Society for investigation.

The local physician to whom it was given discovered that the letter writer was a man whom he had treated for the past five years and was still attending!

Security or satiety?

FOR THE 4,000 American civilian employees in the Panama Canal Zone life is just about as secure and free of conflict as an old ladies home. The Government provides them with comfortable homes, colored servants relieve them of all manual exertion, and

their jobs last, with good conduct, until retirement.

Their whole existence is a paradise such as that pictured in Farm Security prospectuses, or in a Treasury Baby Bond four color direct mail advertisement.

But Ernie Pyle, the journalist, who sojourned in Panama recently, found that, in spite of all these idyllic conditions, the Canal Zone folks are not happy. They miss the old give-and-take, the four seasons and their natural instincts of competition. Having traded ambition for security they rue the deal.

We are not surprised, because that way does not lie content. Perfection is a dream forever spoiled by realization. The struggle for existence is not an evil but a great good.

Off and on speculation

A DISTURBING practice lately inaugurated in Washington is that of "lending" personnel from one department to another.

Congress appropriates money to a department for certain work; the Executive department transfers the men appointed under such authorization to other work. This practice has become notorious in recent years. An example was brought out in the N.L.R.B. investigation. Heber Blankenhorn was appointed as a \$5,200-a-year special investigator for the N.L.R.B. He was "lent" to the LaFollette Civil Liberties Committee. Mr. Madden, chairman of N.L.R.B., testified that Blankenhorn had put in "very little" time on work in the Labor Board, and later Senator LaFollette said that he had worked with his Committee "off and on."

The question that taxpayers are asking is, Does "very little" plus "off and on" add up to 100 per cent or \$5,200?

Federal bookkeeping

MR. LAUGHLIN CURRIE, who is one of the seven "anonymous secretaries," gave the President some queer statistics on the fiscal situation of the nation, which the President in turn gave out to the public from Hyde Park. He said that, though the federal debt had increased, the debt of local governments had "gone down the full extent that federal debts have gone up."

The Treasury Department records that the federal debt at the end of the fiscal year 1932 was \$19,487,000,000 and the debt of state and local governments was \$19,330,000,000. At the end of the fiscal year 1939, last June 30, the federal debt was \$40,439,000,000 and the state and local debt was \$19,626,000,000. The increase of

some \$20,000,000,000 in the federal debt is a net increase unmitigated by the decline in state and local debt.

The President later said that he had in mind the reduction of private debt, and gave the impression that he thought this was a good thing. But, as has been pointed out repeatedly in these columns, the major factor in our failure to recover the business activity we once had is the lack of capital at work in developing new industries and expanding old ones. There is a vast difference between public debt and private debt. Private debt means dollars at work. If all private debt were wiped out, there would be very few jobs in industry and very few products for consumption.

Big words butter no parsnips

THE TEXT-BOOK boys at the T.N.E.C. steel hearing had a big inning. Trying to follow their discussion of "multiple correlation analysis," and "price quantity regressions," reporters and observers soon found themselves completely overcome. Members of the committee looked wise and pretended to understand, but they were somewhat in the position of Joe Louis sitting in heavy silence at a conference on morphology.

When the committee counsel went on into "extrapolation," "scatter diagrams" and "curvilinear functions," the water became too deep for the president of U. S. Steel and he remarked:

I can't answer these questions when I don't know what he is talking about.

These executives know all about such vulgar matters as making steel and selling it, and there are some of us old-fashioned enough to think that the country would be better off if they were at home, on the job, instead of squirming on a T.N.E.C. carpet.

Wanted: a genius

THE MAN we want, says an agency advertising for an "advertisement maker," must think not only straight but deeply. More than that, he should be an analyst with mental processes simple and direct, a practical psychologist, a man of fine character, a leader, a dynamic personality, a sound craftsman, a good technician—and not more than 40.

These qualifications are not impossible; there doubtless are at least three or four such men in the advertising profession. But still another condition was specified: "He cannot be an individualist." That makes a combination that probably eliminates all men, living or dead. If our hunch is right, every able man is an individualist.

This is pre-eminently the day of success in youth. An observer on Fifth Avenue at 5 o'clock, watching the cars carrying successful men home, cannot fail to be impressed by the number who are in their thirties.



The joy of succeeding while you are still young

TWO MEN work equally hard, and both succeed. But one wins position and independence at thirty-five; the other not until sixty, when a man's capacity for enjoyment is decreasing.

Happy is the young man who finds a way to bridge over the valley of years where so many strive vainly for real achievement; there is joy in succeeding while you are still young!

Success comes late for most men because only those who know *all* the departments of business have the knowledge needed by big-caliber executives—and to gain it all by personal experience consumes many years.

But These Men Travel By a Quicker Route!

Thousands of men in their thirties and early forties are bridging over those years of weary waiting with the Alexander Hamilton Institute's Modern Business Course and Service. Into it have been built the experience and methods which have given many of our business leaders their pre-eminence. Institute training helps men to develop in *months* the capacity for leadership that ordinarily takes years to gain.

Hundreds of prominent executives have testified that the Alexander Hamilton Institute has been a tremendous factor in their success. More than 50,000 presidents of corporations are numbered among its 400,000 subscribers. "In the past eight years," one man wrote,

"My Income Has Increased 750 Per Cent

The course has been the foundation of my business training." Such results could come only from a vitally sound and practical course of instruction in the four great activities common to all modern business: PRODUCTION, MARKETING, FINANCING and ACCOUNTING. In acquiring a working knowledge of these and their subdivisions, Institute subscribers benefit by the judgment and experience of many of the most

successful business men in America. Among the contributors to the course are such executives as:

Colby M. Chester, Jr., Chairman of the Board, General Foods Corporation; J. Anton de Haas, William Ziegler Professor of International Relations, Graduate School of Business Administration, Harvard University; Major B. Foster, Chairman, Department of Banking and Finance, New York University; Solomon S. Huebner, Professor of Insurance and Commerce, University of Pennsylvania; Alfred P. Sloan, Jr., Chairman of the Board, General Motors Corporation; Edward R. Stettinius, Jr., Chairman of the Board, United States Steel Corporation; Russell A. Stevenson, Dean, School of Business Administration, University of Minnesota; Thomas J. Watson, President, International Business Machines Corporation.

Would you know the thrill of rapid, instead of moderate progress—the joy of succeeding while you are still young? Then a moment of decision is all you need to start that way.

Send for "Forging Ahead in Business"

The coupon will bring you a copy of the book which points the way to more rapid progress in business. If you are one of the few who are asking, "What am I going to be earning five years from now?" you will send for "Forging Ahead in Business."

To the
ALEXANDER HAMILTON
INSTITUTE, Inc.
265 Astor Place, New York, N.Y.

Send me "Forging Ahead in Business" FREE.

Name _____

Business Address _____

Position _____



Washing 600,000 Cars of Coal

— with "plumbing" by the G. T. M.



In this huge "washtub" thousands of tons of Famous Reading Anthracite are daily scrubbed to glistening cleanliness—not with soap and water, but with sand and water. So quickly does this highly abrasive solution cut through metal, no ordinary plumbing can be used to pipe it to and from the washer. The G. T. M.—Goodyear Technical Man—solved that by specifying Diversipipe. Diversipipe is a super-tough, heavy-duty rubber hose made only by Goodyear

—so flexible it can be curved where necessary without pre-shaping and without kinking. In eight years this plant has washed more than 600,000 carloads of anthracite—more than thirty million tons—yet only a few lengths of Diversipipe have worn out! Maybe the G. T. M. could help you save with rubber—correctly specified. To consult him, write Goodyear, Akron, Ohio, or Los Angeles, California—or phone the near-

est Goodyear Mechanical Rubber Goods Distributor.

THE GREATEST NAME IN RUBBER
GOOD YEAR



Too Many Nephews

AN INVESTIGATOR for the Smith Committee found in the files of the National Labor Relations Board an application by Bernard W. Freund, aged 27, for a job as assistant attorney of the Board.

Attached to the application was a regional director's report which read: "His legal training limited almost entirely to minor office matters. In my opinion he would not be worth more than what he has been earning during the last year, which is approximately \$50 a month."

At the bottom of the application General Counsel Fahy had written four words: "Nephew of Ben Cohen." Mr. Cohen is high in administration councils as a member of the team of Corcoran and Cohen. Mr. Freund got the job, at \$2,600 a year, now \$2,800.

While this nephew had his economic problem happily solved, 3,000 other young men and women, representing, so they said, some 8,000,000, gathered in Washington to make similar demands upon their Uncle. They, too, wanted someone to help them skip the lower rungs of the ladder.

All roads, it seems, lead to the District of Columbia. Relatives of those already on the federal pay roll demand, as never before, assistance from uncles and aunts. Sensitivity to the question of nepotism is at an all-time low, as the press reports daily new appointees as nephews or cousins of highest officials or subordinates. Transfers from private to official life naturally carry compensation increases, some, as in the case of Mr. Freund, as high as 400 per cent. Which gives point to the Department of Commerce report that the per capita income of Washington is three times as high as that of the rest of the nation.

Nor is nepotism the only obstacle in the path of youth today. As "governing" jobs increase, production jobs must carry the additional burden of government overhead. The change is gradual so that, while the burden is felt, the cause is not identified. If, for example, 90 per cent of the

able-bodied were suddenly shifted to bureaucratic work, the ten per cent left would be hard driven to produce food, shelter and clothing, autos, radios and rayon for themselves and the 90 per cent. But the effect is no less certain because gradual. That is why, when this inexorable law begins to operate, the State finds it necessary to pass wage and hour laws, and fix prices.

At the present rate of adding to federal pay rolls, in five months the number of employees will reach 1,000,000, more than twice the number of seven years ago. This number does not include the legislative, judicial, Army and Navy, or the millions on W.P.A. and C.C.C., or war veterans, or state and local officials. When these are included the situation reveals itself as a factor of unemployment. Whereas, ten years ago 11 citizens in gainful employment supported one government agent or ward, today these same eleven support three on the government pay roll.

This, then, is the situation in Washington to which a sober and intelligent Youth Congress might well address itself. For, as Government grows, youth will find it necessary to fight for a government job which too often means pull, or to fight harder for place in a private economy where the burden upon each individual is increased because of the increased burden of government overhead. This additional burden can be met only by greater production, longer hours, less return. With hours and wages fixed by law, youth, unable to compete on equal terms with training and experience, is indeed in a quandary. It does not improve its condition by demanding more from Government. Government should demand less and less, which would leave more and more for youth. Such a "march on Washington" would be not only in the interest of ambitious young men and women, but also in the national interest.

Merce Thorne



You Are Invited

T O

VISIT CANADA THIS YEAR

Citizens of the United States in large numbers visited Canada last year for holiday recreation, education and business. If you were a visitor, we hope your stay in Canada was a pleasant one and that you will visit our country again. We extend to all who were not among our visitors a cordial invitation to come to Canada this year to see our wonderful country.

To visit Canada you have only to cross the most peaceful International Boundary in all the world. You do not require a passport.

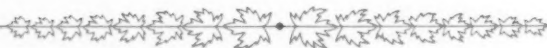
You may move about as freely as you do in your own country. You may leave

Canada with the same informality and ease.

Canada is a country of varied scenery and climate. It provides for visitors unsurpassed seashore and inland lake retreats, mountains and great National Parks; and hunting and fishing to delight the sportsmen. In Canada, facilities for travel are good, whether by air, rail, road or water. Accommodation is plentiful.

On behalf of the Canadian people, I invite you to visit us this year.

PRIME MINISTER OF CANADA



Trade Pacts—Bane or Blessing?

By OLIVER McKEE, Jr.

QUESTION of renewing reciprocal trade agreements with foreign governments is a Congressional hot potato. Here are pros and cons of the controversy

AS ONE of the major issues of its election-year session, the Seventy-Sixth Congress faces the question of giving the President, for another three years, the power to negotiate reciprocal trade agreements with foreign countries. Originally conferred upon the Executive by the Act of June 12, 1934, and extended by a joint resolution approved March 1, 1937, this power, unless renewed by Congress, will terminate June 12.

In its drive to continue the Hull "swapping" tariffs, the Administration has mobilized its heaviest artillery. Opponents representing powerful economic and political groups have also taken the field in force. If unable to prevent an extension of the Act, they hope to subject future agreements to Senate ratification. This would mean a "complete blackout" of the program, Assistant Secretary of State Henry F. Grady told the House Ways and Means Committee.

"Let there be no misunderstanding on this score and no mincing of words," he warned; "ratification is tantamount to repeal."

In 1934, the original Trade Agreements Act—technically an amendment to the 1930 tariff Act—was approved by majorities of approximately two and a half to one in the House, and two to one in the Senate. Three years later the Act was renewed by even greater majorities. In view of these earlier victories, why is the Administration so uneasy over the outcome of the present battle, and why has it embarked upon a campaign of almost unprecedented proportions?

There are several reasons why the Hull program faces a rougher road this year. One reason is political. In 1934



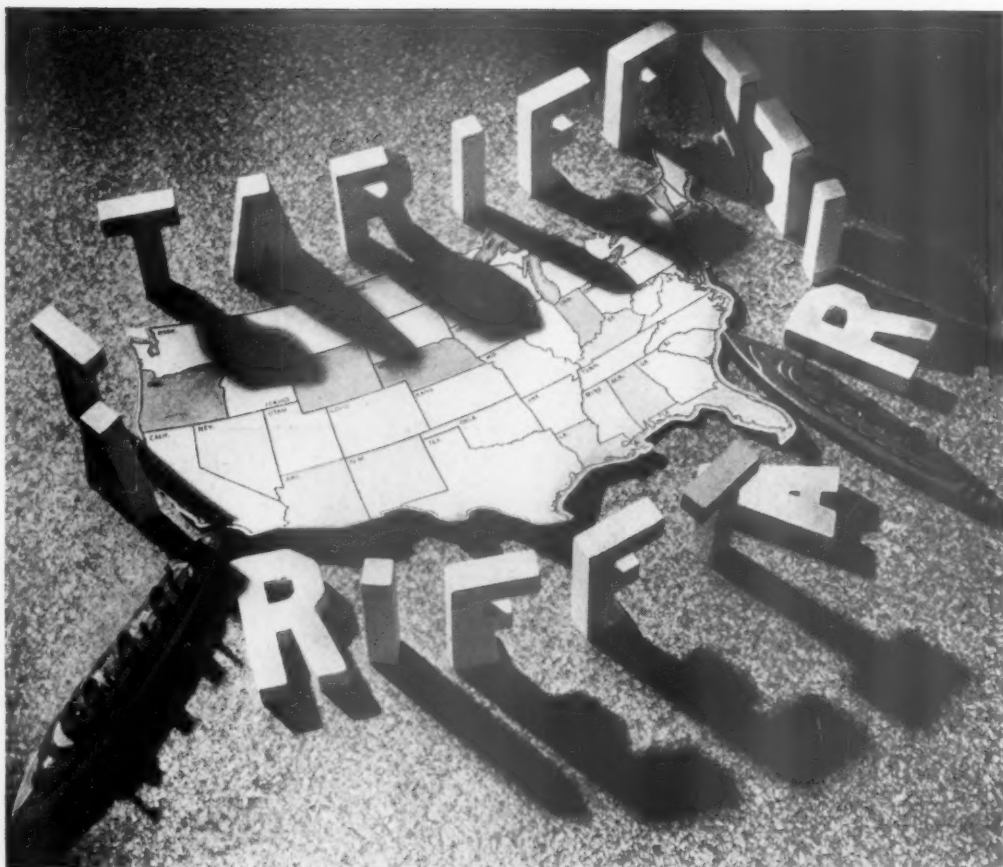
Opposition is partly due to Congressional revolt against delegation of powers to the Executive

and 1937 the vote on the Trade Agreements Act closely followed party lines. All but 11 Democrats in the House, for example, supported the reciprocal tariff bill six years ago, and all but two Republicans voted against it.

The 1938 elections approximately doubled the Republican strength in the House and also increased the party's meager representation in the Senate. Republicans are set to make the Hull tariffs a 1940 issue. Since this is election year, Congressmen are more than usually sensitive to complaints from back home that increased imports are injuring American industry, agriculture, and labor.

Politics are not the only reason for

the increased opposition to the Hull program. The war, for the moment, has minimized the practical importance of several trade agreements, because the belligerents, as emergency measures, have set up controls and imposed restrictions that are cutting into the flow of American exports. So some of the expected gains are not materializing. Also contributing to the increased opposition are the Congressional revolt against the delegation of powers to the Executive, and the belief of many that the Administration, in its zeal to play the role of "good neighbor," has, in some instances, reduced tariff duties below the level needed to give American industries reasonable protection.



Mr. Hull believes that the removal of artificial barriers to trade will reduce friction among nations and promote peace

Every institution, Ralph Waldo Emerson reminds us, is but the lengthened shadow of a man. Cordell Hull, Secretary of State, dominates the trade agreement picture. A lifelong advocate of lower tariffs, Mr. Hull believes that the removal of artificial barriers to trade will reduce friction among nations and thus promote peace. As a member of Congress several decades ago, Mr. Hull made speeches which reflect substantially the same views on international trade as those which he expressed when he appeared before the House Ways and Means Committee January 11. Though Mr. Hull has been the chief architect of the program, the Administration stands solidly behind him in urging extension of the Act for another three years.

Intended to build trade

HOW did the Trade Agreements Act originate, and what was it expected to accomplish?

When President Roosevelt took office in 1933, the world faced one of the worst economic depressions of modern times. The international gold standard had almost completely broken down, and trade between nations was increasingly hampered by higher tariffs, exchange controls, quotas, import licenses and other artificial devices.

With respect to export industries, the United States found its position increasingly less favorable, and the American farmer could no longer count, as he once did, on foreign sales to take care of his surpluses. Our foreign trade had declined precipitately. At the trough of the depression, that trade, including both exports and imports, had dropped to less than \$3,000,000,000 a year, as compared with the pre-depression total of more than \$9,000,000,000. Sales abroad dropped from \$5,200,000,000 in 1929 to \$1,600,000,000 in 1932.

Two types of trade barriers were chiefly responsible for the sharp decline from 1929 to 1932:

First, increased tariff quotas and exchange controls imposed by foreign countries.

Second, various discriminations against our products.

As part of its emergency recovery program, the Roosevelt Administration early decided on an aggressive campaign to expand foreign trade and remove the artificial obstacles to the sale of American surpluses abroad. On March 2, 1934, the President asked Congress for authority to make executive commercial agreements with other countries for reciprocal tariff reductions. The United States must be able to make quick bargains if it was to hold

its place in world trade, he told Congress, promising that no "sound and important" American interest would be injured.

Lowered tariffs

IN THE reciprocal tariff Act passed in 1934, Congress approved the negotiation of trade agreements as a

means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, increasing the purchasing power of the American public, and maintaining a better relationship among various branches of American agriculture, industry, mining and commerce.

The Act gave the President the power to reduce tariff rates up to 50 per cent.

The legislation was based on a combination of three principles:

First, tariff negotiation by executive agreement.

Second, the delegation to the President of the power to adjust tariffs within prescribed limits.

Third, the extension or generalization of tariff reductions to the products of all countries that do not discriminate against American commerce.

Trade agreements are prepared and negotiated by an interdepartmental organization in which the Departments of State, Agriculture, Treasury, Commerce and the Tariff Commission are represented. Though interested parties, when an agreement is under way, are given an opportunity, either orally or in writing, to present their views and are notified of the import products upon which concessions in United States duty may possibly be granted, negotiators strike their final bargains behind closed doors. Until an agreement is completed and approved and its provisions made public, industries are not told which of the products listed as possibly subject to duty reductions have been actually written into the agreements nor told the amounts of such reductions.

The Reciprocal Trade Agreements Act itself provides for generalization of tariff reductions. All countries not discriminating against United States trade—that is, according us equality of treatment—enjoy the benefits of reductions in American tariff rates included in the individual agreements. The President has the right to except from such treatment countries discriminating against us—thus giving him a powerful argument in protesting against discriminatory treatment anywhere in the world. On the other hand, each agreement provides for most-favored-nation treatment, meaning that concessions granted by an agreement country to a third country must

be immediately and automatically extended to American products, thus guaranteeing American exporters that no preferences will be granted third-country competitors.

Said Secretary Hull in defending the generalization of tariff reductions:

When we extend to other countries, which do not discriminate against our goods, the benefit of concessions granted in individual trade agreements, we thereby assure equality of treatment for our exports over an area far larger than that covered by the trade agreements themselves. So far we have safeguarded in this manner a volume of exports several times greater than the value of trade on which we have granted generalization of concessions to non-agreement countries. The policy of equal treatment is not only an indispensable means of defending our trade against the blight of discriminatory practices in other countries, but is also one of the most powerful instruments for placing international trade relations upon a basis of fair dealing and friendliness without which commerce cannot prosper.

What has the trade agreements program accomplished? Since 1934 the

United States has concluded 22 reciprocal trade agreements (three Canadian agreements are usually regarded as one). The countries with which agreements are now in effect represent about 60 per cent of our total foreign trade. Taking the average figures for 1934 and 1935, and similar figures for 1937 and 1938, our exports to all foreign countries increased by \$1,000,000,000 or 46 per cent. In this same period, shipments to trade agreements countries showed a 61 per cent gain, while exports to non-agreement countries increased only 38 per cent.

Slight pick-up in trade

FOR the first 11 months of 1939, exports to agreement countries increased five per cent over the corresponding period in 1938, while exports to non-agreement countries declined eight per cent, according to a Department of Commerce study made public January 20. Imports from agreement countries

jumped 17.5 per cent in the same period, as compared with a 13 per cent gain in imports from the non-agreement group. The figures do not include the United Kingdom, Newfoundland and the British crown colonies, covered by the Anglo-American agreement which went into effect last year.

Though there can be little question that the Hull program has contributed to recent gains in trade, other factors have played a part, notably exports of war materials in the past two years and the general recovery that has taken place since the low point of the depression.

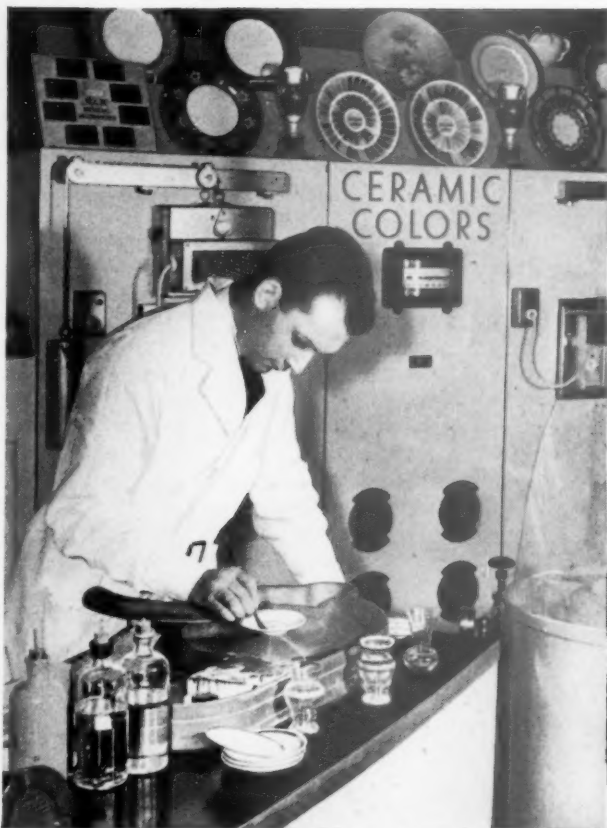
In his message to Congress January 3, President Roosevelt urged the extension of the Trade Agreements Act as an indispensable part of the foundation of any stable and durable peace. He said:

I emphasize the leadership which this nation can take when the time comes for a renewal of world peace. Such an influ-

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Organized labor and the farmers are two important groups opposing an extension of the trade authority. They believe it is inconsistent for the Government to lift wages and then import from countries with a low wage scale



The ceramic industry benefits from American-made colors

TIME was when every schoolroom was equipped with a large shade-roller map, charting the "trade routes of the world." It was a magnificent map, one that conjured visions in the minds of the pupils. It hymned the tradition of caravan and clipper ship, of exotic wares to be borne up a far-off river or across the veldt.

These maps served for years without revision. They were as immutable and changeless as the blue patches of sea represented upon them. They relied upon the historic fact that only the speed of ship and wheel necessitated change. The era of discovery was far behind; the lanes of world commerce well established.

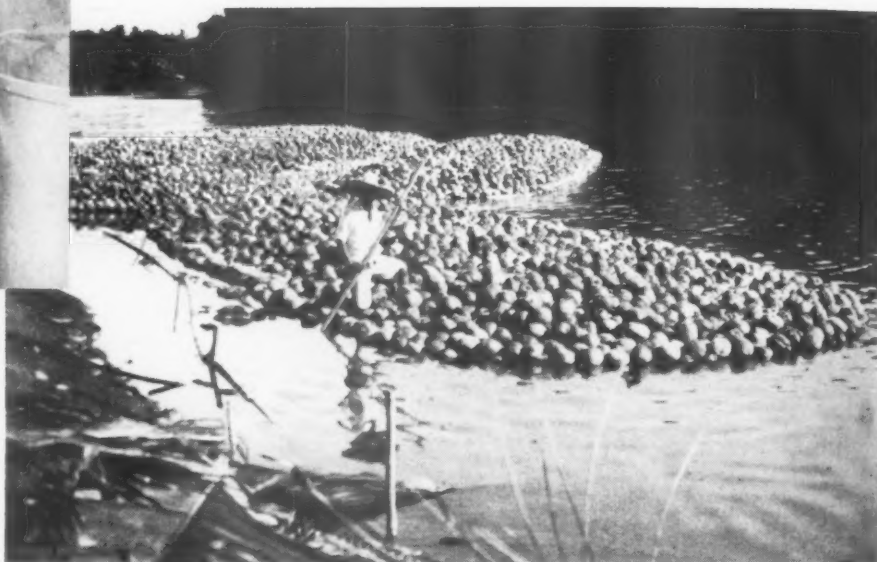
Examine the schoolroom chart today. You will find a post-Versailles map is as out of date as that of our childhood, not because of war alone, but because of the achievements of science.

In a single generation, paths of empires safe since the days of the Crusaders have been wiped out. A tide of change has reshaped world economy, affecting millions of lives and revolutionizing the objectives of nations.

Until now, although man expanded his sphere of influence, he remained at the mercy of his own soil. Silk he brought from Japan, rubber from the Malay States, fertilizers from Chile and Germany, spices from the East Indies, sugar from the Caribbean. He manipulated a complex system of exchange. If his ship came in, he had what he wanted. If there were disaster at sea, if hostilities oc-

Charting New

By CHARLES M. HACKETT



Cocoanuts are floated to seaport before oil is extracted for soap makers



Rubber drying in Singapore before shipment to U. S. Chemical rubber is still higher priced than the natural product is

Routes for Commerce

IN a single generation science has altered the dependency of one nation upon another—changed cargoes and sea lanes that once seemed perman-

ent. Materials once considered indispensable have disappeared entirely. Goods for which adventurers braved uncharted seas are made at home

curred, if there were any untoward development, he had to do without.

Today, in contrast, man is creating what he needs, creating new materials that free nations of old reliances. The result is a new pattern for living, achieved with scarcely a ripple in our national com-



EWING GALLOWAY

In Chile, fertilizer is blasted loose from the natural deposits

placency. The revolution has happened without our realizing it.

Materials once considered indispensable have disappeared entirely, or are employed for quite different purposes than nature intended. Goods for which adventurers braved desert and uncharted seas are made adequately and cheaply at home.

You will notice, for instance, that the "Sunday silk" dress has vanished from your wife's wardrobe. It has been replaced by any number of attractive frocks made of rayon.

You will recall that only a few years ago your automobile was expensive to buy and dear to run, that your tires were pretty well worn after 3,000 miles, and



ALLIED CHEMICAL & DYE CORP.

In this country fertilizer is produced by chemical processes and there is no danger of a shortage



EWING GALLOWAY

All the world's sulphur once came from Sicily, but Yankee ingenuity found a way to boil it out of the earth in Texas and Louisiana

that the car had to be repainted after a year or two. You will observe that your diet is more varied and toothsome.

What has happened is that we have learned to track down new sources of basic raw materials, broadening and rebuilding the foundations of natural wealth. They have been found in places never before dreamed of, yet obvious by their very familiarity.

A British battle cruiser, rolling out from Rio on the South Atlantic patrol last fall, caught the flash that signaled war. Sealed orders in the skipper's strong box sped the warship southward. She was bound 'round the Horn toward a tiny speck off the Chilean coast called the Falkland Islands.

A remote archipelago, close by the island of Robinson Crusoe's adventure, the Falklands are a British Crown Colony. The war fleet assembled there

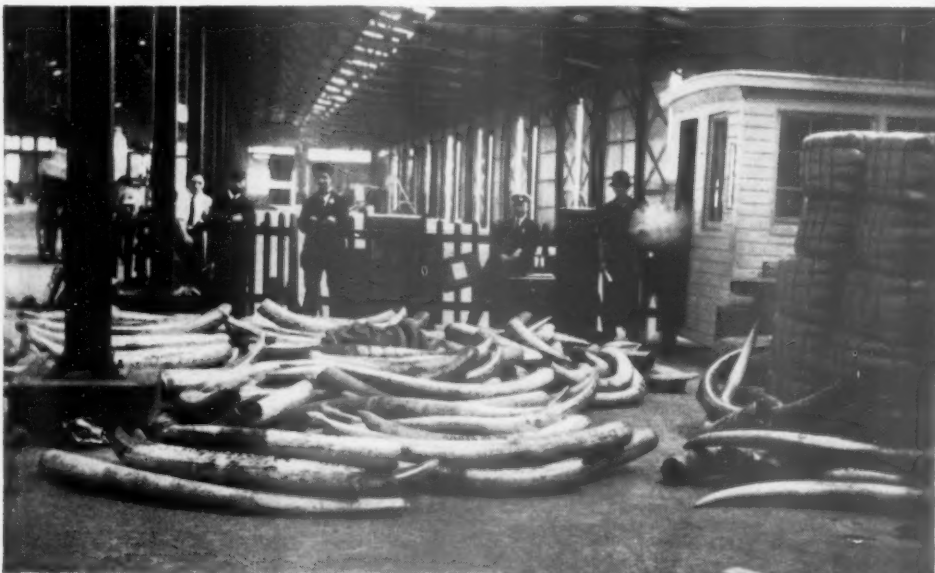
in September soon gathered into the islands' harbors all German merchantmen caught in the vicinity.

The action was swift and without bloodshed. In strange contrast was the history of a corresponding period in the Great War. For this little-known spot, on December 8, 1914, witnessed a decisive battle as significant in its portents for peace as in its strategic advantage for war.

At the outbreak of the world conflict, a quarter of a century ago, the belligerents turned to a narrow strip of desert land on the Western slope of the Andes. Here, for centuries, millions of pelicans and penguins had lived in untroubled disorder, their droppings mingling with fish and vegetation. No rain came to wash away the salts. There formed a layer of decomposed matter called nitrate.

A vehicle for carrying the element nitrogen, nitrate is a sort of chemical Cincinnatus, as necessary for peace as for war. All high explosives are made from it, in the form of nitric acid. Plants, without nitrogen, will not grow, and succeeding crops exhaust the soil of its nitrogen content if not replenished by fertilizers. Thus nitrate is literally a sword that can be beaten into a ploughshare, and its relative importance as either de-

(Continued on page 116)



BROWN BROS.

Formosan at right chips camphor wood for distillation



DU PONT COMPANY



EWING GALLERY

At left this American camphor made from pine trees has caused the price to drop from \$3.20 a pound to 45 cents



DU PONT COMPANY

A roll of plastic can be substituted for bone or ivory

Elephant tusks are no longer indispensable

Rackets Move in on the S.E.C. Front

By S. F. PORTER

Charlatans have defrauded business men of millions by representing ability to get S.E.C. approval of finance plans. Commission maps prosecution

JOHN PRENTISS thought he had put over a fast one on his town banker when he arranged with the Wall Street Underwriting Corporation's traveling representative for the sale of \$50,000 of Prentiss Company's stock. His was a going concern, 35 years old, respected throughout the state. He'd save money by issuing stock, he reasoned. And, the way the underwriters presented it, it was simpler to sell shares under the federal securities laws than to go through the rigmarole of a bank loan.

When the "front money" racketeers finished with Prentiss six months later, his company had a new president. Nearly \$6,000—the firm's entire cash backlog—had been dribbled away in "arrangements." The stock sale was still a dream. And that's when Prentiss came to the S.E.C.'s Washington offices to become another name on the long list of victims of rackets made possible by the Securities law.

Similar misfortune wiped out Miller and White, enthusiastic managers of a California mining company. But they were tripped by an intriguing advertisement in their local newspaper:

If You Are In Need of Capital,
Write To

They wrote. And thus they too became names on that list, which soon will be front-page news throughout the United States, because the Securities and Exchange Commission is preparing to crack down on the racketeers that have used it as an excuse for new swindles.

This is a fantastic and a discouraging story. The S.E.C., in the course of its five-year life, appears to have been the breeding ground for frauds that feed upon the public's faith in this, the Government's powerful financial polic-



There will be a "small" fee for technicians, trips, registration, and so on, but no results

ing agency. The charlatans that have sprung into prominence since the passage of the securities laws of 1933 and 1934 have defrauded small corporations and investors out of millions of dollars—just because the S.E.C. exists, just because of its reputation for protecting the public.

By far the biggest is the "front money" or "advance fee" racket, but there are other new variations of old swindles.

With American business swinging up

under intensified domestic and foreign buying, low-priced stock issues are appearing on the market for the first time in a decade. As a result, the front money promoters are trying to "move in" on the public faster than the S.E.C. "moves in" on them. Impossible to foretell who will win as yet, but the red flags are flying in the face of every small business man considering a security issue to raise additional capital.

The front money racket actually has assumed proportions of big business in

recent years. Its operators, estimated in the hundreds, are located in every section, with focal points at New York, Los Angeles, Chicago, Cleveland and Detroit. Its victims, who certainly run into the thousands, are mostly in small towns throughout the South, Southwest and Middle West. But beyond question, any industrialist—whose resistance has been lowered by his mistaken belief that fraud has been legislated out of existence—is wide open to these shrewd swindlers.

There are many variations of the front money fraud, but, in essence, the racket rests on the simple fact that countless business men are unfamiliar with the provisions of the federal laws governing the issuance and sale of securities. In their ignorance and faith, these men may be convinced of almost anything by clever promoters well versed in Wall Street and legal jargon. They may be coaxed into paying heavy advance fees for useless services, into advancing hundreds of dollars to charlatans promising them aid in overcoming Don Quixote windmills.

Scene: Office of a manufacturer in Ohio.

Time: The Fall of 1939.

A front money racketeer is talking

to Jones, the manufacturer who wants to obtain cash for building a new plant.

"You are exactly the person to sell stock," says the smooth-speaking, well dressed promoter. "But, of course, you know how complicated and confusing these laws are.

Too many complications

"YOU'LL have to fill out some detailed statements of earnings, assets, your activities. Since you'll need at least \$100,000, and since you want to sell your stock all over the country, you'll have to file a prospectus with the S.E.C. You'll have to distribute copies of that prospectus too—to every purchaser of your stock."

Jones hurls his pencil across the room.

"Messy business, this. Damn those laws, the nosy Government!"

"Well, all right," says the promoter. "Leave it to us. My firm will manage your stock issue. We'll prepare your prospectus, check your plant and your needs. Just pay us a small fee—to show your good faith—and let's get started."

It sounds good, appears convincing. So far, not an untruth has been stated. So Jones hands over the first advance

fee, supposedly to finance his representative's initial investigation.

Then the sky's the limit. The racketeers are off to a flying start. There will be expenses incurred in sending engineers, lawyers, accountants to the locality where the manufacturer is operating. There will be a few hundred dollars to finance the underwriter's trip to the S.E.C.'s offices in Washington or in New York. There will be a few hundred to cover costs of preparing a registration statement; a few hundred to pay for printing the first prospectus; a few hundred for searching of records, reprinting the prospectus. And so on, until the manufacturer becomes suspicious of the lack of results.

That's when the front money operator reaches his peak of originality. The dozens of excuses used by swindlers to "get out from under" pay tribute to their ingenuity. One racketeer wrote his victim, "It's your fault. You neglected to reveal all pertinent facts and thus you destroyed the value of our work. . . ." Another chastised his victim severely for being so "slow in supplying necessary data. . . ." A third declared the S.E.C. had turned a dis-

(Continued on page 79)

The mail fraud act will stop the front money promoters more quickly than securities laws



Below Zero Safety Deposit Boxes

By VERNON E. BRINK



After meat is cut and frozen, it is stored in individual compartments available to customer at any time

"PASS THE PORK, MA" was a request seldom heard on small farms five years ago, but this summer, around countless "average" dinner tables throughout rural New England, the Middle Atlantic and Middle West, it will not only be heard, but granted—and with fresh, tender meat. The old farm staples, poultry and eggs, are giving way before fresh mutton, fresh pork and various kinds of fresh vegetables and fruits.

How come?

Because a new process, unknown five years ago, is now "quick freezing" farm produce in some 2,500 commercial cold storage locker plants, giving farmers better foods at lower prices than ever before. It's no small business. Already operating in 26 states with an investment of \$25,000,000, the enterprise, now serving farmers mainly, may soon extend its services into the cities and cause a mild revolution

Fresh vegetables
may be preserved
as well as meat



DON H. WIMMER

in the retail butcher and grocer trade.

This is not to imply that present methods of merchandising meats and vegetables will be changed overnight, but it does suggest that the cold storage locker plants are here to stay and, ultimately, may reveal possibilities only dreamed of as yet.

The story actually began back in the fall of 1917 when Joseph Winchell, proprietor of a small ice plant in Centralia, Wash., took a brace of pheasants from a friend just returned from a hunting trip.

Winchell scratched his head.

"I'll keep them for you. But darned if I know how long they'll last."

"Well, I'll call for them later. See you then."

Winchell took the birds inside, puzzled for several minutes, and finally tossed them into a can of water. The water he froze solid and set in the storage room. Three months passed.

Then, on Christmas Day, his friend returned for the birds.

They found the pheasants and thawed them out. The meat was as juicy and tender as when shot.

Winchell's feat did not remain a



DON H. WIMMER

When the carcass has been cleaned and labeled, it is hung in a pre-chilling room

secret long. The idea spread. Soon, he was "quick freezing" chickens, rabbits and general farm produce for nearby farmers and small town residents to such an extent that a separate room was added, solely for storing the barrels and boxes in which the foods had been frozen into cakes of ice. Beginning the enterprise on a gratuitous basis, he later drew up arbitrary storage rates, charging, for the first month, \$1, for succeeding months, 25 cents. Around 1927, profiting by technical advances in mechanical refrigeration, he built a special locker plant with separate compartments each holding 150 pounds of meat. The layers of individually rented boxes resembled somewhat the front of a huge filing cabinet.

The advantages to the patrons were obvious. Hitherto, on their small farms, fresh meats had been considered a luxury because, even though numerous live animals grazed outside, livestock could not be slaughtered. Unless the hired help numbered at least ten, the carcass would spoil before it could be eaten. Of course, the farmer could store it in the spring house or in his refrigerator. But it wouldn't last long even there; it had to be smoked or cured. And smoked meat is hardly fresh meat!

Winchell's cold storage locker, however, made it possible for a farmer to butcher and keep his meat palatable until needed. Small town residents, too, saved money. Now they would buy a whole side of beef instead of daily small cuts and be confident of fresh meat regardless.

Housewives were quick to see the advantages. Around 1928 the Walla Walla Dairymen's Association began storing farmers' produce in the butter-storage rooms, opening up two special

locker plants, and eventually serving, with 1,400 lockers, 1,600 residents of the city—more than one out of every 15 persons.

More storage plants

FOLLOWING suit, the Farmers' Educational and Cooperative State Union of Nebraska opened its own packing plant in conjunction with the creamery branch. In November, 1927, the Farmers' Union Creamery at Aurora, at the request of farm wives, opened an annex for storing. Mississippi State College followed by erecting, in various counties, huge cold storage plants worth about \$300,000 and equipped not only with facilities for freezing meats and vegetables, but also with curing facilities adequate to treat more than 1,500,000 pounds of beef.

Within the past 12 months, the development has spread into Indiana, Ohio and throughout the South. Many plants have set up sidelines too, making sausages, pickling and curing. Trade papers estimate that plants are being established at the rate of 50 a month.

In Minnesota alone, where cooperative creameries and cheese factories have built many locker plants, a recent survey indicated that four plants were operating in 1935; 12 in 1936; 60 in 1937; 151 in 1938; and by last June, 179. Combined, these plants have a capacity of 51,000 lockers.

"Sufficient," concludes S. T. Warrington, of the Agricultural Extension Division of the University of Minnesota, "to serve 40,000

or one-fifth of all the farm families in Minnesota."

Dotting the nation today are some 850,000 individual locker compartments, renting for about \$9 a year. Estimates place the savings per family on meat storage alone at \$100 annually!

But enough statistics. Instead, let's follow a piece of newly slaughtered beef through a typical locker plant, and then consider the probable effect of the frozen food industry upon the retail merchant.

To begin with, the "locker butcher" drives, in his own or the plant truck, to the farm. With the aid of the farmer or the hired hand, he slaughters the animal and loads it onto his truck. (The slaughtering charge averages \$1.25 for hogs, depending on live weight; \$1.85 for beef cattle; and \$1.00 for veal and sheep.)

Completing his route, the butcher returns to the plant. The carcass, still warm, enters the receiving room where it is labeled, cleaned and washed. Its animal heat is next removed in a pre-chilling room. Cooled, it is taken to the cutting or processing room; here, with the aid of power-driven saws, it is cut

(Continued on page 112)



Produce is subjected to intense cold before removal to individual lockers

Expert butchers divide the meat into choice cuts before it is stored for customers



Money to Lend Without Interest

By THEODORE PRATT

A PECULIAR and specialized type of banking service does millions of dollars business each year on the oldest basis of trade known to man—barter

IN THE CITY of New York about 50 men operate in a business that makes it possible for a person to borrow as much as \$10,000 without paying interest or putting up collateral. The borrower, in fact, can often make a profit on the deal. The same men also permit a selected clientele to buy meals at restaurants and night clubs, pay for rooms at hotels and resorts, clothing at various stores, and almost any item mentionable, at a discount of as much as 75 per cent.

It is an intricate and secret business, known to few people and kept pretty quiet by them because, among other reasons, they don't want too many to adopt the method and perhaps take it away from them.

It is, however, entirely legitimate and quite within the law, being conducted on the oldest basis of trade known to man—barter. It has been going on for years and, in its most common form, is practiced not only by the 50 men, some of whom have formed a miniature stock exchange to control it, but directly between business enterprises and magazines.

The basis of this curious way of doing business is the due bill. A due bill, in material form, is a slip of paper, resembling a promissory note, which states that a business establishment will give, in trade, the amount of credit stated on the bill. Since it is always made out to bearer it can be readily negotiated.

Their most common usage is in connection with advertising. This phase of the business, with or without the services of due bill bankers, as they are called, works like this:

Let us suppose that the North Pole Hotel hasn't been doing very good



Some people like to impress out-of-town customers by flashing a due bill. It shows their importance

business. It's a little out of the way and travellers haven't heard much about it. So the North Pole Hotel decides to advertise in a magazine.

Avoiding cash payments

IT doesn't want to pay cash for this. Maybe it doesn't even have the cash. But it has something else it can use to pay for the advertisement—those rooms that aren't rented. The transaction isn't big enough to merit handling by a due bill banker, so the management goes directly to the magazine, in this case the *North Pole Borealis*, the leading publication of the vicinity. The hotel manager tells the magazine publisher he would like to insert a \$100 ad and give due bills in payment.

The publisher looks over his current due bill accounts to see if he can accept this proposition. He doesn't want to do all of his business on this basis, but he can do a certain amount of it.

If the accounts justify it, he accepts the hotel's proposition. He publishes the advertisement and gets \$100 worth of accommodations at the North Pole Hotel in return. This is profitable to him, because it hasn't cost him as much as \$100 to run the ad. It is also profit-

able to the hotel, because it doesn't cost the hotel \$100 to fill empty rooms with the publisher and his family.

If the publisher, however, doesn't want to take a vacation and some of his relatives or staff can't use the due bills, he tells the hotel manager that, in exchange for the advertisement, \$150 worth of due bills must be issued. Even to this the manager can agree. The figure is increased so that subsequently the bills may be sold at a sufficient discount rate—in this case one-third—to make them attractive.

The magazine publisher disposes of the due bills in various ways. All he has to do to make a profit on the transaction is to sell \$150 worth of accommodations at the hotel for \$100, which isn't difficult. There is, in fact, a scramble for the due bills by members of his staff, his friends, their friends, or favored clients. Because, with the bills, a three-dollar-a-day room at the North Pole Hotel may be obtained for two dollars. Sometimes the hotel itself disposes of the due bills, later paying for its advertisement with the proceeds.

Everybody concerned is pretty well pleased. The hotel gets its advertisement at the cost of a little extra service

by an already employed staff, and the ad stimulates its business. The magazine gets an advertisement it would not have obtained otherwise. The users of the due bills get low rates at the hotel.

The 50 men in New York to be classed as due bill bankers work in this way, handling such transactions for a percentage, and in another, much more involved manner. The miniature stock exchange dealing in due bills is called "Trade and Exchange Advertising Associates, Inc."

Twenty-two due bill bankers belong to this organization. Some 25 others work independently.

Both the organized and the independent operators use due bills in negotiating some sizable transactions. Suppose you are the proprietor of a night club. Your place needs a \$10,000 investment for complete renovation and a splash re-opening. You don't want to borrow this from a bank because you are already in debt too much to make such a loan on the interest basis. Or perhaps you haven't proper collateral.

One of the due bill bankers knows you and your club. You ask him for \$10,000. He listens to your plans and makes an appraisal of your set-up. Possibly he asks several other brokers to give their opinions and share in handling the deal. The brokers decide to advance the money. In return you give them due bills in double the amount, or \$20,000.

You go ahead with your re-decorating and soon start operating on a highly profitable basis. Meanwhile the due bill bankers sell their "paper," or "sheets," or "scrip," as it is variously called, to other brokers for 60 per cent of its face value or \$12,000, thus taking a profit of 20 per cent, or \$2,000 on their investment of \$10,000. This is high. Usually it is closer to ten per cent, but, in any event, the deal is handled quickly and the capital can be used many times a year. That is why due bill bankers can take chances that a bank or a regular credit company cannot, or are prevented by law from doing.

In turn, the individual brokers sell the bills to their friends and clients at a discount which varies according to what the traffic will bear. Usually it is about 33⅓ per cent, so that the secondary brokers in turn sell the bills at 66⅔ per cent of their face value, or \$13,333, realizing a profit of \$1,333 on their \$12,000 investment.

The consumer who actually uses the bills gains by buying food at your night club for a third less than he would ordinarily pay. Sometimes it is as much

as a half less, sometimes only a quarter.

The procedure for the consumer is to obtain the bill from a broker, giving him a receipt for it. At the night club he buys \$9 worth of food. The night club operator marks on the back of the bill a deduction of \$9, but the consumer, when he returns the bill to the broker the next day, pays him only \$6.

Not comparable with bank rates

ON the face of it, the transaction makes it seem that you, the night-club owner, are paying 100 per cent interest for the use of the \$10,000. Actually, this isn't so. In the first place it isn't, legally, usury, for no formal interest rate is charged; it is purely barter. In the second place, you can serve food at not more than 50 per cent of the menu value, and on that score break even and get the use of the money for nothing.

Also, the due bills you have issued are not good for liquor, and people who use them at your club will usually order liquor in addition to food so that, in this way, you can make an actual profit on the involved transaction.

That, which amounts to an underwriting proposition, is what the due bill business is now coming more and

their living costs extraordinarily low.

Sometimes the bills have a termination date and, when a banker is caught with one of those, he often parts with it for as little as 25 cents on the dollar. It is also sometimes difficult to get rid of the last few odd dollars and cents left of a bill, and this is then disposed of at a huge discount.

Every two weeks, the 22 members of Advertising and Exchange Associates meet in one of their offices, usually in the Broadway district, and deal in their current holdings. If one broker is loaded up with paper on a certain restaurant or hotel or other establishment, his fellow brokers will exchange other paper for it. Or they may bid for some of the paper at a lower discount than the retail market of the day.

No one knows how much money the due bill bankers turn over in a year. It must run into many millions. One independent banker admitted that last year he did a \$1,000,000 business himself and that one year, his best, totaled \$2,500,000.

Few business establishments will agree to issue due bills unless they are assured that they will not be given to their regular cash customers or potential cash customers as far as is possible. Those issuing large amounts want to be certain that the sheets will not be cashed in too quickly, thus eating up stock and income all at once.

This means that just anybody walking along the street can't go into a due bill banker's office and obtain a due bill simply by asking for it. The bankers' clientele is made up largely of members of their families, relatives, friends, or persons sent or recommended by clients known to them. Out-of-towners are more acceptable than New Yorkers who, being on the ground, are expected to buy articles on the regulation basis more than the visiting fireman. In this the fellow from the country, for once, gets a better break than the city slicker.

The brokers, in addition, keep the market at a point where there is no cut-throat unloading of due bills. This

means that, under ordinary conditions, they won't take less than a ten per cent profit, though it often goes much higher than that. Their business flourishes during hard times. The depression was a field day for them. Establishments doing only a small part of their regular business were eager to give the appearance of being thriving concerns and issued due bills to the limit. In some cases this stimulated business and saved them from failing.

(Continued on page 105)



Few due bills are issued on men's clothing but a good many are issued for women's wear

more to be. It is worked with various business enterprises, including hotels, theaters, resorts, apartment buildings, restaurants, garages, beauty parlors, perfume shops, clothing stores, and even radio stations.

Many due bill brokers themselves live largely on due bills, obtaining their rent, food, clothing, entertainment, and vacations in this manner.

Some people are able to obtain many of their necessities and most of their luxuries at discount rates that make

This Booklet Offers Many Practical Ideas For Saving Time In The Office

21 Can related records now being handled separately be prepared in one operation?

There are many efficient methods in use whereby several related forms are prepared at one time. In labor accounting work, for example, many concerns write the payroll, individual earnings record, pay statement and pay check or envelope in one fast operation—and at the same time obtain information required by Social Security and other legislation. Other examples of related records are customer's statement, register and sales journal; check, ledger and sales voucher. The time and effort involved in these operations is often reduced by the extra advantages of mechanical information handling of figures, eliminating needless chances of error.

your present invoicing
method takes too long

23 Are your accounting and statistical records maintained in such a manner that reports for periods or year-to-date can be produced with- out analysis?

Modern accounting machines provide multiple balances that offer great possibilities for producing special analyses without analysis. For example, budgetary accounting machines provide currently the figures showing total appropriation, expenditures to date, funds unencumbered, funds unencumbered, etc.

With the information available instantly, there need be no interruptions, rush or overtime in preparing special reports.

24 Does the handling of paper or forms take up too much of your machine operator's time?

Often a great deal of time can be saved by studying the motions required to handle media, forms or accounts.

Many recent developments greatly simplify paper handling—thus making it possible for the operator to do more work with less effort. Likewise, because modern machines do so much automatically, the operator's handling of forms or media can be synchronized with the automatic operation of the machine so that the result is a decrease in the volume of work and less physical effort.

Burroughs

Today's need for saving time and money in office work led Burroughs to assemble the ideas contained in this booklet—and to offer it gratis to executives interested in the subject.

"Ways to Save Time in an Office" proved so helpful in suggesting how to locate and eliminate the useless, costly handicaps that slow up work in the office, that it has already been reprinted four times. Executives the country over have not only told us how much they have profited by the information it contains, but a great many have asked for extra copies for their associates.

BURROUGHS ADDING MACHINE COMPANY
6103 SECOND BOULEVARD, DETROIT, MICHIGAN

Burroughs

WAYS
to
SAVE TIME
in an
OFFICE

Suggestions for locating
and eliminating the use-
less, costly operations that
handicap office employees

SEND FOR YOUR FREE
COPY TODAY!

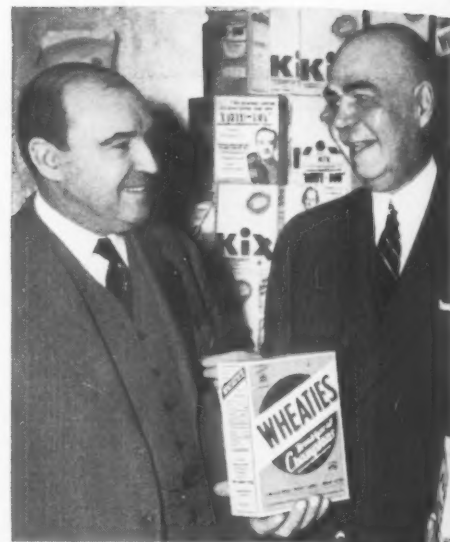
"Ways to Save Time in an Office" names definite jobs on which both time and money might be saved by practical analysis. For your copy, telephone the local Burroughs office; or, if you prefer, write direct on your own letterhead to Burroughs at Detroit, Michigan.

Leaders in the March of Business



D. M. Goodrich and Roy A. Hunt (right)

ACME



GABRIEL MOULIN

James F. Bell (right); F. B. Burke



Robert M. Adair



GUNDERSON

J. D. A. Whalen (left)



Frank A. McKowne

WIDE WORLD

ROY A. HUNT, president, Aluminum Co. of America, announced a new \$30,000,000 expansion program, major part of which is to be a new metal-producing plant in Vancouver, Wash. New program follows recently completed \$26,000,000 development of new plants in Mobile, Lafayette, Ind. and Los Angeles. Picture shows him in new style subway car with aluminum body and rubber springs and cushioning.

James F. Bell, chairman of General Mills, is holding meetings in key cities with as many of the company's 10,000 stockholders as can be induced to join him in informal gatherings. More than 400 of 1,900 stockholders in New York City attended their local meeting. Mr. Bell hopes to get closer coordination between the men and women whose savings make business possible and the men who act as trustees for those savings.

J. D. A. Whalen, president of Bostitch, inspecting a crude model of one of his company's newest machines. His company received the 1939 Industrial Research Citation given by the New England Engineering Societies for its metal-stitching machine.

Robert M. Adair, for 20 years head of Jones, Witter & Co., Columbus, Ohio, served his members so well that they insisted he serve another term as president of the Wholesale Dry Goods Institute. Columbus likes him too—he has served his fellow-citizens either as chief or high official of the chamber of commerce, manufacturers' and wholesalers' association, Presbyterian church, parent-teacher association, community fund.

Frank A. McKowne announced that his company, the Hotels Statler organization, became the largest hotel group in the world upon its acquisition of the William Penn Hotel in Pittsburgh. The company operates hotels in New York, Boston, Buffalo, Cleveland, Detroit and St. Louis.

NATION'S BUSINESS for March, 1940

You were wise enough to buy it . . .

Have you been wise enough to read it?



THAT life insurance policy you so wisely bought—have you ever taken the time to read it, carefully, from beginning to end?

Do you know all the privileges, all the benefits and options, it offers—not only to you, but to those for whom you bought the insurance?

► These are things you *ought* to know—for the provisions in your policy are of the utmost importance. From a practical point of view, the time it takes to read and understand them could not be better spent!

To be sure, when you read your policy, you may wonder why it contains so many different provisions, and why it is written in language that is so exact and detailed. There are several reasons for this . . .

1. In addition to the major provisions for

payment of a stated amount of money under the terms of the contract, a life insurance policy affords the policyholder many benefits and options. In order to make these provisions as clear as possible, each of them is set forth in detail, for . . .

a. The company wants you, as a policyholder, to be thoroughly informed about the privileges to which you are entitled, so that you may avail yourself of them if occasion arises, and . . .

b. By taking pains to define your rights in terms that are unmistakable, the company seeks to protect both you and your beneficiaries from any interpretation of the policy which would be contrary to the intentions you and the company had when the policy was issued.

2. There are laws in many states which require that certain provisions be included in every policy, in order to define

the duties and obligations of the company to the policyholder, as well as the privileges and options available to the policyholder.

► If your policy happens to have been issued by Metropolitan, at least ten of the provisions you will find in it are required by law . . . provisions, for example, such as the one making the policy incontestable after a specified period, the one setting forth your right to cash and loan values, the one explaining the various optional modes of settlement, and the one stating your right to participate in the company's annual divisible surplus.

It is true that your policy contains many provisions. But if it did not, you might well be justified in complaining that you were not fully informed as to your rights as a policyholder.

► We urge you to read your entire policy, carefully. Then, if there is anything in it you do not understand, by all means speak to your agent or his manager—or, if you prefer, write to the company itself for a full explanation. For Metropolitan, consistent with its desire that its policyholders have a clear understanding of how their company operates, wants you to be thoroughly informed concerning your rights and privileges as set forth in your policy.

COPYRIGHT 1940—METROPOLITAN LIFE INSURANCE COMPANY

This is Number 23 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. In this advertisement the provisions referred to as being required by law, are particularly those contained in Ordinary policies. However, whether you own an Ordinary or Industrial policy, it is to your advantage to read it carefully. Copies of preceding advertisements in this series will be mailed upon request.

Metropolitan Life Insurance Company

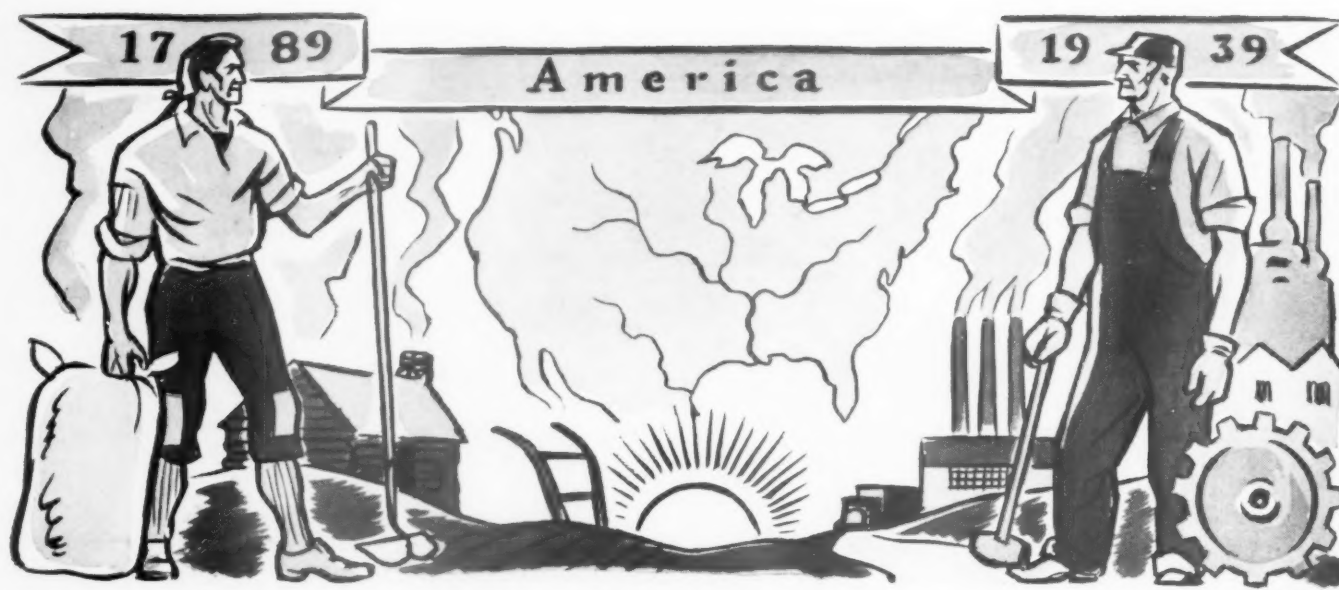
(A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD

Leroy A. Lincoln, PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.





When this country was founded and the government was designed, our people lived by the land

Training Men to Look Ahead

By ERWIN H. SCHELL

EXPEDIENCY in business policy must be replaced by a thoughtful progressiveness based on long-term trends of certainty

IN AMERICAN industry, there has come a change in the wind. For the first time in more than a decade, a distinct massing of sentiment among our business leaders is appearing. Throughout the country a conviction is growing that business in the United States must in the future be enabled to move forward with a greater degree of certainty if it is properly to fulfill its responsibility as the primary support of the greatest industrial nation in the world.

The implications of this widespread manifestation of opinion are many. Foremost is the determination that business policies shall no longer be built upon the shifting sands of day-to-day expediency. In so great a country, progress appropriately demands a deeper cadence. Ways must be found whereby industrialists may view the future more deliberately and with greater exercise of forethought. There must be due opportunity for the carefully reasoned and seasoned decisions which the development of a sound national business policy demands.

This change is imperative. The demand today is for immediate action so that such effect will be felt at the earliest moment. If we are to maintain respect for our position in the international world of industry, we must act with promptness as well as determination.

Several years ago when studying the future policies of a group of progressive companies, I approached an organization which had shown unusual consistency of operation. In answer to my questions about immediate plans for sales, production, finance, personnel and other functions, the president referred me to other officials who specialized in these activities.

Industrial foresight is needed

IN explanation he said, "These men are better informed than I on the details of this year's program. My job is to plan for the year following."

The future must permit of more rather than less of this sort of thinking.

In matters of industrial foresight, the beginning of wisdom is the realization that, although the future is never certain, we may be guided by present trends containing elements of future certainty. It is by means of these trends that future requirements are revealed. To overlook them is to bring difficulty; to interpret them is to bring opportunity. It is a principle that fore-

sight is the disclosure of oncoming necessity.

A number of years ago, a bright young man studying government in one of our universities concluded that, with the accelerating growth in the production and sale of automobiles and with a correspondingly lower rate of improvement in highways, problems of traffic control would inevitably increase. He thereupon determined to devote himself to this field and is today an international authority. He rode forward upon the oncoming necessity.

To search for certainties of the future, we must avoid those regions where events turn upon the dictates of a few. There is no value in attempting to guess the wilfulness of another. Instead, it is the changing ground swell of conviction in the minds of thousands or of millions of people which provides material for foresight. The man in the conning tower may be unable to guess what Washington will do tomorrow, but he may base sound judgment upon such a fact as, for example: by far the greater part of American livelihood today is maintained by industry whereas when the country was founded and the governmental functions designed, our people lived by the land.

Business men who are demanding the removal of expediency as a factor in future decisions are particularly and properly concerned with such



These folks hardly ever works late, since installin' that new

MODEL M CUSHIONED-TOUCH

COMPTOMETER

NEW FEATURES OF THE MODEL M CUSHIONED-TOUCH COMPTOMETER

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- One-hand subtraction
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FOR MINIMIZED EYE-STRAIN:

- No-glare answer dials
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FOR GREATER QUIET:

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FOR IMPROVED APPEARANCE:

- Cancelling lever built inside case
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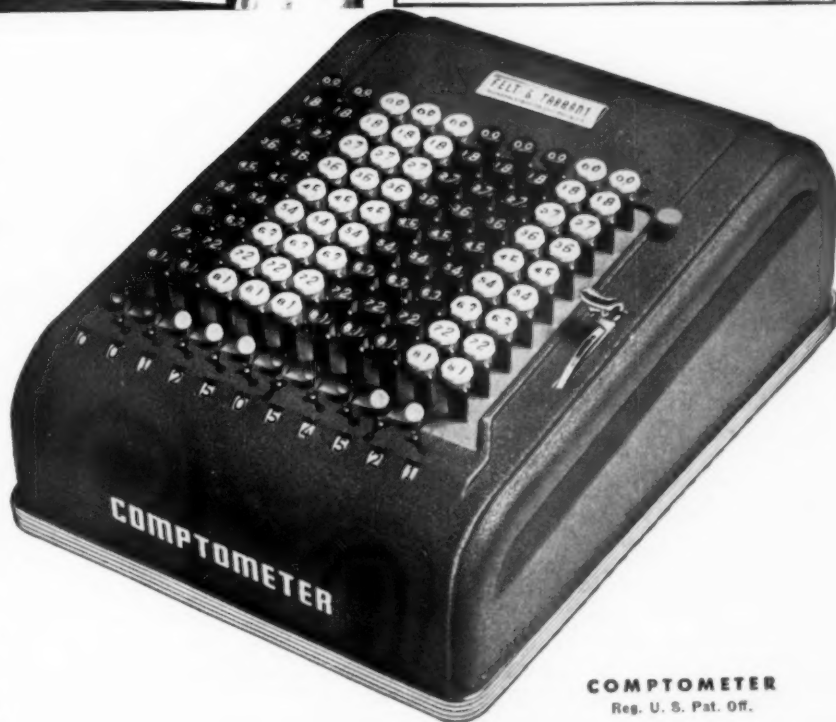
GLARE results in eye-fatigue and lowered efficiency. New no-glare answer dials and large, legible numerals reduce this fatigue-factor to a minimum.



EXECUTIVES, familiar with the remarkable speed, Controlled-Key accuracy, and substantial economy of the Comptometer, have asked us how we found room for so many real improvements in the new Model M with the Cushioned-Touch.

The answer is in *greater speed . . . greater quiet . . . greater ease of operation . . . and improved appearance*. Which, added to the fundamental Comptometer advantages, mean *greater "Comptometer Economy"!*

To learn how the new Model M Comptometer, and modern Comptometer methods, can save time and money in the handling of your figure work, telephone your local Comptometer office for a demonstration in your office, on your work . . . or write direct to Felt & Tarrant Mfg. Co., 1712 N. Paulina St., Chicago, Ill.



COMPTOMETER
Reg. U. S. Pat. Off.

long-term problems as the accumulating and safeguarding of reserves for future contingencies. I am told that three seasoned industrialists not long ago thrashed this question out in conference. Their conclusion was simple:

As industry has moved into its new position of social responsibility for the majority of our population, it has faced and will continue to face many new and uncharted problems. Because of increasingly rapid changes in current technologies as well as current public opinion, decisions must, in the future, be made without the benefit of expert advice, inasmuch as experts will not have had time to develop facility in these new fields.

A reserve of thinking power

THESE men reasoned that successful companies must, therefore, draw upon reserve ability within their ranks. Treasure must be laid up in brain. Throughout the organization there must be reserve supplies of thinking power safeguarded in the persons of younger men carefully selected for their personal qualities as well as extraordinary intellectual capacity. With their experience and familiarity with detail they will constitute tomorrow's most effective resource in dealing with technical and social change. And such change is a future certainty.

A second field for foresight is that which points the way to future competitive advantages. No worthier objective can be embraced by the industrialist, for it is the pressures of business competition that advance our modern civilization.

Here a new trend of certainty merits the attention of every discerning industrialist. It is the growth in inter-industrial competition. Within the past handful of years the creative industries have made heavy inroads into established areas hitherto dominated by adaptive forms of manufacture. Synthetic substitutes have captured millions of dollars worth of business formerly in the hands of manufacturers of a distinctly different art, who viewed their market as a domain open only to competition from their own industry.

In these modern arenas, the battle is often short and not sweet. A consultant serving clients particularly subject to these hazards once told me that his greatest professional problem was the presentation of his facts with the force which their seriousness

justified. Patronage completely extended to a given industry for many years may be transferred overnight. Indeed, it is not infrequent for concerns to lose business to competitors of whose existence they had not even been aware.

Forethought points the necessity of some form of constant reconnaissance which will inform the industrialist of the ever-changing state of his art and of the new forms of competition springing from the creative industries. And foresight brings opportunity to those who pursue this inquiry aggressively, who capitalize rather than confront circumstances, who themselves employ science to provide future security.

A less explored field for forethought, but one which will grow rapidly in importance, is that of community relationships. It is a trend of certainty that the mass of people will everywhere become increasingly sensitive in matters of local government. Growth of taxpayers' associations and other community organizations of many sorts, together with the increasing number of persons employed in governmental positions, are straws

the community rather precisely established.

Such investigations will multiply in coming years, because taxpayers will become increasingly concerned that their money will not be poured down industrial as well as political rat-holes. Industries which are clearly conducive to community growth and health will be well regarded. Industries which are proved parasitical may receive short shrift. For many American companies, foresight will show the necessity for greater information concerning the economic status of families who look to a given business for their livelihood. Industrial responsibility inevitably will reach deeper into the home.

And again, such foresight may reveal opportunity even as its neglect may bring difficulty. One of the unexpected and important benefits accruing to those companies whose sales characteristics permitted them to extend an annual wage to their employees has been the outburst of family loyalty which this step inspired. The workingman's wife who is annually assured of a basic weekly contribution to the family budget returns a support which makes for the best of company spirit, even though she may not be upon the pay roll. In such families, incipient labor troubles meet early death at the dinner table.

Different sales values

AN EVEN more demanding trend of certainty relates to consumer markets. When the American nation once again turns itself to the problem of living within its means, many of the subjective appeals which have inspired customers to buy in recent years will give way to more practical assurances that fundamental qualities have been improved, and that the product has surely advanced in usefulness. Particularly will this trend apply to those industries which serve primary needs for food, shelter and clothing.

A swing of consumer interest to more objective qualities is already under way as a result of widening interest among housewives in the areas of "buymanship,"—a return to the technique of making a dollar stretch. The national advertising campaign which heralds a scientific advance in basic utility will build good will, while buyers will tend to turn from those publicized virtues which yield only subjective delights. The aura and the

(Continued on page 128)

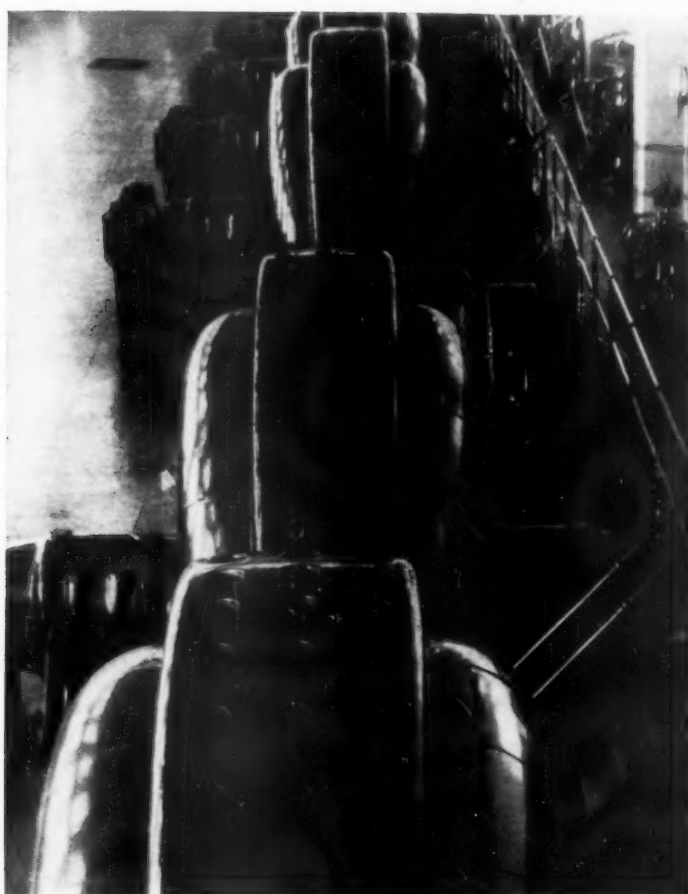


Successful companies must draw upon reserve ability within their ranks

which point the direction of the wind.

Not long ago a manufacturing establishment in a medium sized city in the Middle West was put under the microscope. The annual income of each of its employees over a representative year was obtained as well as additions to this income from other members of each family and from welfare agencies or charities. The disbursements of these families were also assembled and the economic bearing of the industry upon the welfare of

The CASE for LIGHT AND POWER



MARGARET BOURKE-WHITE

A REVIEW of the accomplishments of the light and power industry, together with an interpretation of relevant developments now shaping in the field of public policy

Let There Be Light

YOUNG in years, the electric utilities are old in experience with regulation. Thirty of their 50 years of service have been lived under the surveillance of state commissions. In the past decade the academic shadow of federal supremacy in regulatory authority has been disturbingly substantiated by legislation and administrative action. Advancing from its competitive intervention in so-called "yardstick" projects, government is now invoking the Holding Company Act to "black out" the parent holding companies and to compel integration of established utility companies into new government-made groups.

Conflict of purpose and performance of public policy came to a head in progress of the T.V.A. experiment. With pressure on private operators in immediate contact to yield the field to government agencies, protection of stockholders became the ruling concern of management in dealing with the authoritarian viewpoint. Political appetite for repetition of T.V.A. commitments elsewhere in giant regional establishments keeps investors uneasy, raises lively questions of Government's good faith, frightens capital into unproductive immobility, generates local alarms at loss of tax revenue from private enterprise, whets curiosity about characteristic differences in business bookkeeping and government accounting.

Significance of the move under authority of

the Holding Company Act is to call 51 utility holding companies on the S.E.C. carpet, make them show cause for existence. If they fail to offer an acceptable voluntary plan for a lease of life, the Commission can force integration under the "death sentence" provision of the law.

Involved in the official scrutiny are assets of \$13,000,000,000. S.E.C. determines standards of holding company performance, is judge of their soundness in the public interest, is the enforcement agency, too.

Utility interests contend complaints of abuses are out of step with current practices, assert early irregularities have been corrected, affirm belief that the system under which cheap and widely distributed benefits of power and light became a national distinction is operated wisely and well.

As regulation proceeds toward centralization with power of life and death over business, the "public interest" acquires a new meaning in terms of social and economic values. As its third contribution to understanding of American business in the light of its own pioneering enterprise and the novel problems it faces in conditions issuing from extraordinary interpretations of the powers and functions of government, *NATION'S BUSINESS* presents the accompanying exposition of the case for the electric utilities.

The Case for Light and Power

Only one danger confronts us. The future electrical development of the United States is bound to be enormous. No one can prevent it, and all must profit by it. The danger is that the growth of our industry will outrun public understanding; that people will see and fear our size without understanding our service.

—Owen D. Young, Chairman, General Electric Company, in 1912

THE STRANGE PROPENSITIES of the electric eel were known to the ancients. A wise Greek named Thales is said to have discovered some 600 years before Christ that amber vigorously rubbed would attract various light objects. About the time of Sir Francis Drake, Gilbert named this mysterious force *vis electrica*, translating into Latin the Greek word for amber. Walter Charleton called it "electricity" in 1650.

But, although Benjamin Franklin held electrical picnics on the banks of the Schuylkill River where, on at least one occasion, he killed a turkey by electric shock and roasted it over a fire kindled by his "electrical bottle," the public knew little and cared less about this mysterious force. True, it eventually operated the electric telegraph, but few people understood that.

It was not until 1876 that electricity made its bow to the common people. At the Centennial Exposition held in Philadelphia in that year, an electric dynamo provided current for an arc light in Machinery Hall. Visitors paused briefly to note this interesting novelty and passed on to stand in awe before the monster Corliss steam engine, capable of producing 1,000 horsepower of energy.

It was not until three years later that a little group, gathered in Thomas A. Edison's clapboard laboratory at Menlo Park, watched a carbonized cotton thread glow for 40 hours, heard Edison remark, "if it will burn 40 hours, I can make it last a hundred," and knew that incandescent lighting was possible.

In 1882, the Edison Electric Illuminating Company opened a small central power station on Pearl Street in New York City to supply current to incandescent bulbs for 59 customers. The date is regarded as the birth of the power industry.

They knew it wouldn't work

IT WAS not an auspicious beginning. Electricity "got into the pavement" and the horses on hansom cabs went crazy. The usual "experts" were able to prove that the whole idea was impractical and humorists, professional and amateur, had a new butt for their quips.

The little plant on Pearl Street has grown today to an industry with a \$13,000,000,000 investment, owned by millions of thrifty men and women and serving 25,000,000 customers. Rates have been consistently lowered and service improved until its slightest failure wins front page headlines in the newspapers. Because it is cease-

Make your own house safe

The strongest bond of human sympathy, outside of the family relation, should be one of uniting all working people, of all nations and tongues and kindreds. Nor should this lead us to a war upon property, or the owners of property. Property is the fruit of labor; property is desirable; is a positive good in the world. That some should be rich shows that others may become rich and, hence, is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another but let him labor diligently and build one for himself, thus, by example, assuring that his own shall be safe from violence when built.

—Abraham Lincoln

Looking for magicians

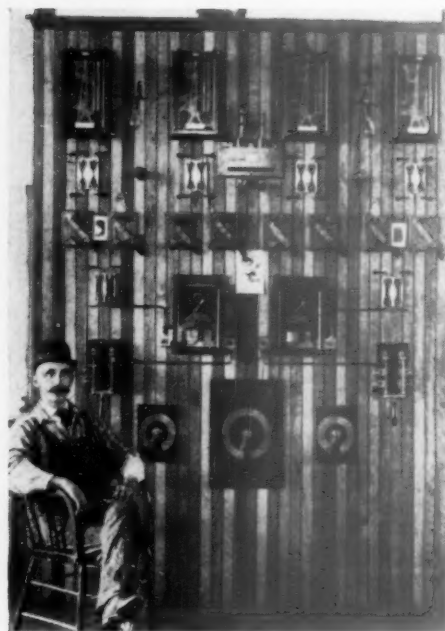
A large percentage of our citizenry prefers to think that there is some magic way to cure its ills, that legislation can accomplish almost anything, even if it runs counter to the established laws of life.

—E. P. Chase, editor,
Atlantic, Ia., News-Telegraph

Where ills came from

I have said—and I repeat—most of the economic illness of the modern world is directly traceable to government.

—John W. Davis,
former Democratic candidate for President



This early control panel was in use about the time a government official and others were declaring that technical advancement had reached its peak—that nothing new would ever again be discovered.

Politics is permanent

Until the character of our political institutions is radically altered, it will never be practicable to secure and retain in public management the character of personnel which private management can secure, or to free public operations from political control.

—O. C. Merrill, Executive Secretary, Federal Power Commission, 1920-29

Three strikes but not out

We (socialists) have made three attempts at control. We have set up municipal plants. Their status is changing and we should face that fact. Outside of the large cities they can no longer compete in rates and efficiency with the new plants being established by companies. . . . We have tried regulation by state commissions. It has gotten out of hand. . . . We cannot hope to take over the whole industry successfully even if it were generally thought advisable to do so. . . . If we don't bite off more than we can chew we may have a good deal to chew on in the coming years.

—H. S. Rauschenbush in the New Leader, 1927

lessly on the job, the modern world knows comforts and health beyond the dreams of generations only once removed.

Born in its monster generators the strength of 48,000,000 horsepower surges through its transmission lines to do the nation's bidding at the turn of a switch. This is not a miracle because it has not been accomplished by any superhuman or supernatural power. Nor did it just happen. It was done by men! Individuals who dreamed and planned; whose indomitable wills demanded and obtained the peak load from their physical powers; men whose faith never failed them in persuading friends at first, then acquaintances, then strangers, to give or lend their savings to develop a dream. Men who fought their way up in competition with fellow linesmen, accountants, sales managers, for places of leadership.

Willing and versatile slaves

BECAUSE of them, factory tasks have been lightened and hours shortened; in mines, the laborer lays aside his pick for the power drill; in homes the housewife finds 400 slaves to release her from a hundred drudgeries, sweeping, washing, ironing, cooking. And for the leisure thus made possible, electricity provides entertainment, either in the home or at the theater. Its better light saves eyes used for work or pleasure. It appeases the human urge to lie long abed by shortening to minutes the journeys that took tedious hours by horsecar. For the ill or injured, it works beside the surgeon, sterilizing, healing by magic rays, lighting the tips of instruments so small that they may explore the human body without the pain and danger of operations.

In cities it made modern architecture possible, not only by assisting the builders but by powering the elevators which make the top floors of skyscrapers habitable.

All of this and more, electricity and the men who make and distribute it have given us at a price which is less than we pay annually for cosmetics or cigarettes and, while they were doing it, critics arose to belittle their accomplishments, damn their integrity and blacken their character.

More amazing still, we, the people, have listened to these calumnies and believed them. It is a peculiar quirk of human nature that a citizen can relax in his easy chair, turn on an electric lamp and, by this light, read and accept as gospel the demagogues' statements that the electric utilities are charging rates which are too high, giving faulty service and threatening to gobble up whatever he may hold dear.

And yet the American people have done that. They have listened to attacks on the "Power Trust," they have accepted the gaudy promises of those who say, in effect, "If you will take this industry away from the men who are now running it and give it to us, we shall so operate it that the prices of electricity will be lowered, the service will be better and more widely available, your taxes will be reduced and you will be forever freed of the dangers to which the existence of the Power Trust exposes you."

Neither the attacks on the electric utilities nor the promises are

new. They are merely louder today because those who make them see greater opportunity to gain their ends.

That end is political control of the power and light industry—perhaps all industry.

Out of the confusion of the past few years has emerged a definite political picture: We are being crowded away from the democracy set up by the men who founded this country! Those men knew by bitter experience what "rights" meant and they knew what they were driving toward. They believed that, instead of the State directing the individual, the central government should be the servant, not the master; that the individual should be supreme. They knew that political freedom is necessary to protect economic freedom and they also knew the corollary, as expressed many years later by Calvin Coolidge:

The loss of economic freedom will carry with it the loss of political freedom.

Today we are told that this system which has given us, in 150 years, a standard of living which is the envy of the rest of the world has failed; that, instead of permitting the man who spends a little less than he earns to invest those savings as he sees fit, the State should invest them, in its wisdom, for the greatest good of all the people. So the Government takes these savings by taxation and spends them on non-productive enterprise and the amount left for creative enterprises is less.

When these savings dwindle because of business stagnation and the State continues its levy, there comes a time when there is nothing left for productive enterprise. The State may collect more, may borrow and commit future savings and spend, but such spendings do not provide permanent employment.

Or, if the State spends these savings on productive enterprises, it competes with the source of its revenue and ultimately dries it up. More important, it prevents the creation of and the development of new fields of business activity.

Only management changes

THE POPULAR misconception lies in a confusion as to the difference between public ownership and private ownership. The only difference between the two is in management. The money for capital expenditure comes from the same source, the people's savings, whether industry is operated by political appointees or by men who grew up in the business. The sole difference lies in the choice of managers. Shall we have private operation with managers chosen through the American competitive system; or public operation with managers chosen by politics?

Under our democratic government, this choice should lie with the citizens, but unfortunately the citizens have not always had the opportunity to express their views. Those intent on seizing by fiat the power which they have not yet shown themselves qualified to earn by accomplishment have masqueraded their projects under a variety of beguiling disguises. Conservation, relief of unemployment, playgrounds, navigation, flood control, national defense and

Road to socialism

I am solid for government ownership because it is the first road to socialism. I am for state and municipal ownership because it is an easy way to get what we want.

—Eugene V. Debs, Socialist candidate for president

"We want the whole soup"

We want no one to think that these sops (concessions) are socialism. By no means. We want something more than sops. We want the whole soup. We are going to take all the sops they give and thereby gain strength to gain the whole feed. . . . Fighting it out on this line will win victory over monopoly and trust and finally overthrow capitalists.

—Carl D. Thompson,
Public Ownership League of America



EWING GALLOWAY

In factories, workers who once struggled at grinding tasks with hand tools now operate machines that do the job quicker with no strain on human muscle

Socialist strategy

To begin with the Socialists seek first the key industries.

—Norman Thomas, Socialist candidate for President

Youth movement, please notice

Some of you are going to be electrical engineers. Your situation at the present moment is not entirely happy. Jobs in this field are conspicuous by their absence on account of the depressing effect on the electrical industry of the threatening clouds of confiscatory or paralyzing federal legislation and of government competition in the public utility game—the Government holding loaded dice.

—Karl T. Compton, President, Massachusetts Institute of Technology, addressing the graduating class of 1935



"Monday wash, Tuesday iron" the old song said, and the housewife had little time for rest or pleasure. Electricity came to her rescue

national planning all have served as collectivist wooden horses for invasions of the private enterprise Troy.

This sort of subterfuge is known as "encroaching control" and the need for it is obvious. Since even Karl Marx did not imagine that all private enterprise might be swept into the Government's maw overnight, it is necessary for those who desire to bring this about to do it piecemeal.

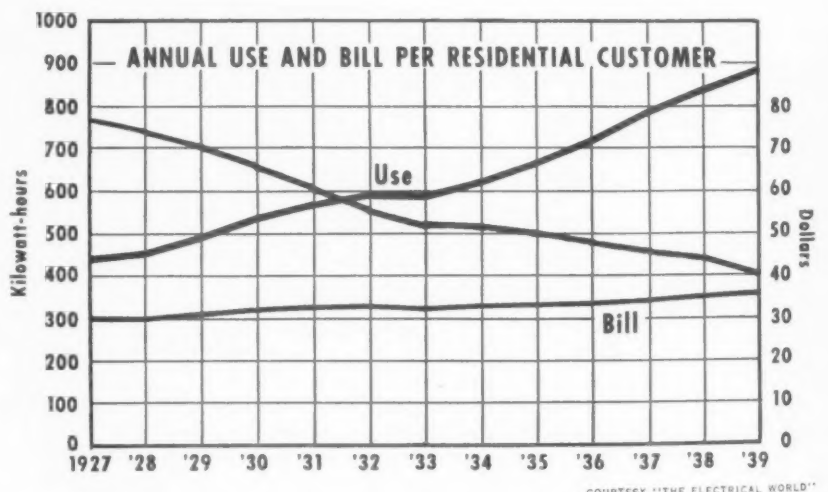
This technique has proved especially necessary in this country where undisguised socialistic schemes soon proved themselves unpopular. Under the American system the standard of living was too high. The electorate showed its disapproval of Socialism at every national election. The fact of this unpopularity could not but impinge itself upon the minds of those who were working to socialize American industries. A change in tactics was indicated, and the collectivists settled down to ambush the power industry.

At first glance it seems unreasonable that the attack should have been launched against an industry which had not only improved its service but lowered its prices each year for 50 years.

That view disregards several important factors. In the first place, if all businesses are to be socialized one at a time, it is advisable to start, the socializers said, with key industries. Once those are conquered, enterprises dependent on them must fall in line as a matter of course. Moreover, the industry attacked should be big and in the public eye. By these measurements, the power industry is ideally vulnerable.

It is essential to hundreds of other businesses and industries. Individuals have become helplessly dependent upon it and cannot but fear for their own health and comfort should it fail. And it has sometimes committed misdeeds which it was easy for its foes to magnify.

Some of these sins were honest blunders, resulting because the industry grew so rapidly that even the men who made that growth possible were frequently required to control forces and developments which they could not fully understand. On such occasions,



The declining line on the chart shows the average rate for a residential service

regulation also was blundering and awkward. When inventors and technicians found themselves beyond their depth, it was not surprising that politicians could not devise new statutes, or alter inelastic old ones, to meet the new conditions.

Some of the misdeeds were no doubt intentional. Selfish or dishonest men, operating under cover of the general high standards of the industry, found opportunities for fraud. That was not surprising. Industries cannot exclude panderers and hypocrites from their ranks any more than governments can.

Furthermore, it has been obvious from the first that some sort of public control was necessary for this industry.

In the beginning, cities set up standards of service and rates by granting franchises to one or several power companies operating within their limits. Several states still use this form of regulation. In others, with different conditions, franchises proved unsatisfactory for such a rapidly growing and changing business. Abuses developed. Chiefly, however, the franchise failed because of the jurisdictional limitations of municipalities. The utilities soon outgrew the city limits.

Intracity competition between companies also proved itself economically unsound. Experience showed that having two or more agencies setting poles, stringing wires, laying conduits, tearing up streets, duplicating facilities and doubling capital costs was utter folly. The practical answer seemed to be to grant one company a "monopoly"—although the word has always had a hateful sound to Americans—and then have it regulated by some political unit larger than the city—logically the state.

States experienced in regulation

FOR this, state governments were well prepared. Most of them already had some sort of organization committed to the job of handling public utilities. Many of these had been formed as early as the Eighteenth Century to inspect and control toll roads and bridges. As early as 1803 a New York law incorporated a turnpike company and provided that the governor should appoint three commissioners to examine the road from time to time.

It was natural that railroad regulation should be added to the duties of these commissions and that they should also take under their regulatory wings the growing light and power industry.

There was a good bit of stumbling in these early efforts at regulation but, in 1907, almost simultaneously, Wisconsin and New York arrived at workable solutions and other states followed rapidly. By 1913, state regulation had shaken itself down to an orderly procedure, electric service was expanding and becoming rapidly more efficient.

In addition to this state regulation, the Federal Power Commission was created in 1920 to protect the national interest in water resources, particularly in connection with power development. This interest was predicated on the interstate commerce clause of the Constitution but the legal staff of the Commission has extended the application of this theory and now asserts its rights over all streams,



ERWING GALLOWAY

The aristocratic woman of the past depended on a few fallible human slaves for service. The modern housewife need not be an aristocrat to command 400 faithful slaves, tirelessly eager to serve

A party platform

We propose:

1. Nationalization of our natural resources, beginning with coal mines and water sites, particularly at Boulder Dam and Muscle Shoals.
2. A publicly-owned giant power system under which the federal Government shall cooperate with the states and municipalities in the distribution of electrical energy to the people at cost. Only when public agencies have full control over the generation, transmission and distribution of electrical power can the consumers be guaranteed against exploitation by the great electrical interests of the country. Public ownership of these and other industries must include employee representation in the management, and the principle of collective bargaining must be recognized.
3. National ownership and democratic management of railroads and other means of transportation and communication.
4. Nationalization of the banking and currency system, beginning with the extension of the service of the postal savings banks to cover every department of the banking system.
5. The recognition of Soviet Russia.

—From the Socialist Platform of 1928



The nation spends less annually for electricity than it spends for cosmetics

Good old franking privilege

The public super-power conference held in Washington, D. C., January 16 and 17 was a notable and encouraging success. It accomplished its object and marked another step forward in the public-ownership movement in America.

Among the immediate results of the conference are the following:

1. A bill was drawn and prepared for introduction in Congress at an early date providing for a nation-wide publicly-owned super-power system.

2. Arrangements were made for the bill to be introduced in the Senate by United States Senator George W. Norris and in the House by Congressman Oscar E. Keller of Minnesota. . . .

The preparation of "The Case for Public Super-Power" for presentation at Washington will be our next great task. When it is done, we should have the strongest possible presentation prepared, published at the lowest possible cost and in such a form that it can be sent by Senator Norris' frank to every part of the United States.

—Public Ownership, publication of the Public Ownership League, February, 1924

non-navigable as well as navigable, over the protest of states interested in reclamation developments.

Electric utilities are, therefore, under both federal and state regulation and have been for years.

Super-power makes its bow

IN JANUARY, 1924, the Public Ownership League held a conference in Washington. Leading spirit of the League was Carl D. Thompson, its secretary, who had been on the National Committee of the Socialist Party in 1905, was placed in nomination for president at the Socialist National Convention in 1908 by the late Victor Berger, and managed the party's national campaign in 1916. The League was formed in 1914 and, at its 1924 conference, launched "a movement for nation-wide public hydro-electric and super-power for the conservation and utilization of the water powers of the country for the production of electric energy at cost."

The purpose of the conference, as announced at the time, was:

1. To focus the attention of the members of Congress and government officials upon this great public question and emphasize its tremendous importance.
2. To arrange for the preparation and publication of briefs, bulletins and information on this subject so that they may be available to all public officials and the public at large.
3. To draft suitable measures for introduction in Congress, providing for a national public super-power system.

The announcement stated further that Sen. George W. Norris, of Nebraska, "has agreed to introduce and is now at work drafting suitable measures providing for the public super-power system." The bill was introduced as promised.

In those days, however, neither the public nor Congress subscribed to the League's program or the Norris Bill. For several years nothing happened except oratory.

Most of this was built around Muscle Shoals where the Government had a \$100,000,000 investment as the result of abortive attempts to produce nitrates for World War use. Political ownership advocates insisted that this expenditure could be salvaged and all manner of useful purposes served by producing power on the site. To prove the advantages, they stressed the accomplishments of public ownership in Ontario, Canada.

There, using power generated at Niagara Falls, the provincial Government was giving the people low rates, relief from taxation, excellent service, these propagandists said, in a fashion which did small credit to the private plants on the American side of the Falls.

The most superficial examination demonstrated that these statements were not true. Reputable engineers explained that Ontario's cheap rates to domestic consumers were obtained at the cost of higher rates to industrial users; that, since the government plants paid no taxes, the citizens had to meet government costs through other levies; that the plant was subsidized by the Government to the extent of several million dollars; that, although the law stipulated

that it should have a proper sinking fund, the money fund set up was only a small per cent of the original investment, and that its offices and plants were overstaffed by political appointees. Men who made these statements were attacked as tools of the interests.

Such name-calling did not prevent the industry in the United States from continuing to improve its service and the people from hastening to use it.

Then the phrase "Power Trust" burst into the headlines. It was an epic of phrase-making. The word "Trust" already signified something wicked, powerful and dangerous which must be put down at whatever cost.

Senator Norris suggested that the Federal Trade Commission should determine if such a monster was not bleeding the people white.

The Commission did as bidden. The result was an anti-climax. To the best of the Commission's knowledge no such thing existed.

The Senator was disappointed but not undone. On February 17, 1928, the Senate passed Resolution 83, providing that the Federal Trade Commission should conduct another search for the Power Trust and implying that this time it had better find one.

Senator Norris and Senator Walsh of Montana were not too pleased with this procedure. They had wanted the investigation to be handled by a senatorial committee rather than the Commission. The preference, as stated by Senator Walsh, was based on enlightening grounds. He said:

The Commission rocks along in its leisurely fashion, taking one, two or three years to complete its work and, when it does report, the public has forgotten all about it and the purposes of the report—it receives scant notice in the press. (The italics are ours.)

Having been given a job to do, the F.T.C. equipped itself for the work. Robert M. Healy, now a member of the Securities Commission, was engaged as chief prosecuting attorney. Agents, examiners, attorneys and accountants were assigned. Although 85 per cent of those to whom the F.T.C. turned over the investigation had no experience in the power industry, their connection with the government inquiry immediately established them as "experts" in the field. Their findings were regarded as accurate and authoritative, even where they were at a variance with those of men who had spent years producing electricity and getting it into homes and factories.

Propaganda is loosed

THE ELECTRIC industry tried to cooperate with the Commission. Files, letters—both company and personal—minutes, reports, vouchers, books of account were turned over to the investigators.

The Commission's discoveries were given wide publicity—in one period of some 600 days, 300 newspaper releases were issued. The public, engulfed in this propaganda, did not get the utilities' side of the story simply because the Commission refused to permit it to get into the record.

The Commission discovered, among other things, that the financial position of certain companies was unsound; there was water



BROWN BROS.

States have had long experience in utilities regulation. The first commissions were formed in the Eighteenth century to regulate toll bridges and roads

Politicians set rates

That its ludicrously low rates for domestic use could not by any possibility be sustained indefinitely without heavy cost to the taxpayer was also disregarded. The hydro had made a bid for political support and got that support by bribing the domestic users of electricity and by vastly increasing their number by means of the bribe of low rates.

These rates were fixed originally in a perfectly arbitrary manner at a ludicrously low rate in the centers of population. The purpose of fixing the rates at so low a point was to insure political support for the hydro. So successful was this maneuver that the political parties vied with one another in supporting it.

—Prof. James Mavor, University of Toronto, in his book "Niagara in Politics."

Cheap money

Our examination showed that for years past the annual payments made by the (Ontario Hydro) Commission to the Government as the cost of money were considerably less than the actual cost of money to the Government.

—Report of Gregory Investigating Commission, 1922



Cleaning and filling oil lamps was a thankless and daily chore until electricity provided means that were not only more convenient but less tiring on the eyes

Government by men

COMMISSIONER McCULLOCH: I am controlling this hearing and you must respect my rulings on it.

MR. WEADOCK: I will respect your honor's rulings.

COMMISSIONER McCULLOCH: And you must do so.

MR. WEADOCK: But only to the extent that those rulings do not deprive us—

COMMISSIONER McCULLOCH (interposing): I do not care what effect they have.

MR. WEADOCK (continuing): of availing ourselves of our opportunity to present our case.

COMMISSIONER McCULLOCH: So far as this hearing room is concerned you will respect my rulings or I will find a way to compel you to do it.

MR. WEADOCK: Now, Judge McCulloch, I say this, that under the authority imposed upon you by that resolution we are entitled to show our cause.

COMMISSIONER McCULLOCH: Mr. Reporter, suspend this report for a minute.

(Whereupon Commissioner McCulloch ordered the reporter to cease taking further objections to his ruling and excluded the testimony.)

—From the Record of the F.T.C. hearings. Mr. Weadock represented the power companies

in the stock and securities were inflated. The industry already knew this and its leading members felt as badly about it as the Commission did but was not in position to do anything about it. Although the Commission examined only 18 holding companies, 42 subsidiary holding companies and 91 operating companies, all hand picked, and a small percentage of the entire industry, the "discovery" was made the basis of charges that all holding companies were satellites whose only purpose was to milk the operating power companies and, through them, the general public.

Briefly, the specific charges were:

The securities of public-utility holding companies, subsidiary companies and affiliates are sold to a large number of investors in different states. These investors cannot obtain the information necessary to appraise the financial position or earning power of the issuers because of the absence of standard accounts. These securities are issued without the approval or consent of the states having jurisdiction over subsidiary public-utility companies and are often issued upon the basis of fictitious asset values and of paper profits from inter-company transactions and do not accurately reflect the sums invested in underlying public-utility properties. Also the securities are often issued in anticipation of excessive revenues from subsidiaries which, if realized, burden consumers, and the reduction of which, in the course of state regulation of subsidiary public-utility companies, would cause loss to investors who have been led to believe that such revenues are a legitimate part of the issuer's income. These securities, when improvidently issued, subject subsidiary public-utility companies to the burden of supporting an overcapitalized superstructure to the detriment of the investors and consumers and tend to prevent voluntary rate reductions, economic use of gas and electric energy and thereby strengthen subsidiary public-utility companies.

Even had these charges been generally true, remedies need not have been as drastic as those proposed. But the forces of collectivism leaped happily upon this indictment. They demanded the elimination of the public utility holding company as an anti-social monstrosity. Shortly a bill demanding this death sentence was introduced in Congress and pressure was applied to force its passage.

Death sentence wears disguise

ALTHOUGH the bill was defeated twice, a so-called compromise, with the death sentence thinly disguised, was finally passed as Public Utility Act of 1935. It provides that all holding companies (which includes all persons or companies either alone or with other persons or companies, controlling or exerting a material influence on operating public utility companies) must cease to own more than ten per cent of voting securities in operating companies:

- A. by January 1, 1938, if the Securities and Exchange Commission believes that continuance is not necessary or appropriate for a geographically and economically integrated public-utility system; and in any event
- B. by January 1, 1940, unless the Federal Power Commission certifies that continuance is necessary for a geographically and economically integrated public-utility system and merger or consolidation is impossible under applicable state law.

It further prohibits the making of any sale, construction or service contract between any public utility company and any other person or company without compliance with the rules and orders of the Federal Power Commission and the issue and sale of securities by public utility companies or holding companies without approval of the S.E.C. Even with this approval, all but two of many sound and well accepted forms of financing are prohibited and the S.E.C. may attach any condition it thinks appropriate to approving the issue and sale of even these two forms of securities. The Federal Power Commission has complete jurisdiction over all phases of the operation of electric public utility companies in any way concerned with the interstate transmission of electricity. This includes practically every company in the country. The F.P.C. has similar powers over the transmission and sale of natural gas.

Law is unworkable

BOTH the dates for action set in the bill have passed and nothing much has happened although the S.E.C. is finally holding hearings with a view to "integrating" one of the companies. The reason for the delay is not hard to find: The act is unworkable. Laws can force a citizen to sell his property but, as yet, there is no law to force another citizen to buy. The reshuffling of utility properties envisaged under the act involves the buying, selling, trading, merging and combining of hundreds of properties, affecting many thousands of security issues, bonds, debentures, and preferred stocks, having a total value of \$13,000,000,000. Those most intimately acquainted with the problem say that, if loss and hardship to investors and consumers are to be kept at a minimum, a generation will pass before the S.E.C. will have accomplished its mission. And they add that the result will be only the weakening, in many instances, of the financial positions of the affected companies.

To understand why those who hope to socialize the power industry should gloat over this, it is necessary to have more knowledge about the holding company than the F.T.C. included in its reports.

In the first place, holding companies are not a private device of the electric industry. They have been a part of American business for 100 years and have played prominent parts in the development of the automobile, food, packing, dairy, steel, petroleum and a half dozen other industries. None of these, however, is covered by the present act.

Help for small companies

IN THE electric industry, holding companies were formed, not as artificial devices for making money, but as practical means of achieving economy, stability and diversified risk by the unified management of small operating plants in different territories. Except for the holding company or some similar device, the rapid growth of the industry with its increasing service to the public would have been impossible.

Only in this way could the small, local, sometimes experimental units have been consolidated, first into city-wide and then into

Long, long ago

Since the pioneer public utility acts of New York and Wisconsin were enacted two decades ago, a new figure, the holding and management company, has come upon the field, demonstrated its prowess and, in a relatively few years, changed the entire economic nature of the public utility industry. Isolated plants have given way to great systems whose lines span several states and serve hundreds of communities, all operated under unified managerial and financial supervision. The spread of rural electrification, the amazing advances in telephony, the rise of superpower systems—these and many other technological developments so intimately related to the public welfare are directly attributable to the efforts of the holding company. Perhaps most important of all, to the holding company must go the credit for the unprecedented flow of capital to the public utility industry, making possible extensions and improvements of service.

—David Lilienthal, in 1929

A general death sentence

I think this (the passage of the Utility Bill in the Senate) means the end of all holding companies generally. . . . I say that the holding company has no place in our economic life. It is a detriment, and, if we permit it to continue, it will wreck the country. . . . Many members of the Senate thought we ought to have gone much further than we did go and eliminate all holding companies.

—Senator Wheeler, Montana

Nobody is safe

If the Government is able to destroy the holding company in the utility industry, there is no holding company in any industry that is safe from destruction. If the Government is able to place 2,000 local operating utilities in the hands of a federal bureau in Washington, there is no business enterprise, however small, that can expect to be free from domination by the federal Government. If the Government is able to set aside the rights of the states to regulate the utility business within their borders, then there is no field of state jurisdiction that is immune from federal invasion.

—Philip H. Gadsden

Waiting for others

It is a very serious question whether some day the holding company must not be abandoned as an ailment of American business in all lines. But we cannot do that in one measure, and therefore we ought not to hesitate to do our duty with respect to the situation covered by the pending bill and wait a more convenient season for dealing with the others.

—Senator Barkley, Kentucky

At any cost

If we could look things straight in the eye for the purpose of preserving our economic democracy, we would have to break up these systems, no matter what the cost was. This is just exactly what the President was referring to in his holding company message. You remember that the particular point of that holding company message was that this was a beginning, in an industry that was particularly public, and in an industry that had particular significance for the public—a beginning of an attempt to handle the problem of concentration of economic power and wealth, which is the outstanding problem facing the continuation of a democratic form of government and a democratic form of economic organization in this country.

—Thomas G. Corcoran
(One of the drafters of the bill)



Even large scale government spending depends on the power industry. Without electric check signers, it would be impossible to handle the tremendous expenditures

community-wide systems, in the space of some 50 years. Even had capable management for all these small plants been available, the problem of finance alone would have stunted their growth. That was the primary problem in the development of the industry.

The extension of distribution and transmission lines, the construction of larger and more efficient power plants, the constant replacement of equipment made obsolete by rapid technical advances, all required new capital in addition to highly skilled engineering and management. In a few of the largest cities this capital might have been available but in the small communities it could not have been found locally and the small plants could not have obtained it in the regular financial markets because they were unknown and their assets were insufficient to make their securities attractive. Even had the money been locally available, rates would have been high because the small plants were regarded as speculative ventures.

Because of the effectiveness of the holding company set-up, the operating companies were able to weather the depression with little or no outside financing. Their financial requirements were met by the holding company without whose resources many of them might now be in receivership or bankruptcy. Neither did they call on the Government for subsidies or loans. Instead, they were able to continue to give improved service and provide steady employment at a time when the Government itself was begging employers to do just that.

How political control profits when a holding company is forced to dispose of an operating company is demonstrated at Louisville, Ky. There the deficit of the municipally owned and operated water system constituted a serious drain on the city treasury. A committee of citizens appointed by the mayor to study the problem consulted with a large waterworks operating company which offered to operate the Louisville waterworks for the city and to take its fees only after the plant had paid the city a fixed sum *in profits*. This offer was not accepted. As a solution for the deficits of the municipally owned water plant, it is now proposed that the city buy and operate the local light plant. Legislation to authorize this is now pending in the state legislature. One of the principal arguments in favor of the plan is that the local company will soon be an "orphan" from its parent holding company under the "death sentence" and can be purchased cheaply. Added to this is the inducement of purchase of T.V.A.'s "cheap" power soon to be available in Kentucky.

Toward Socialization

THUS the attack on holding companies has been cunningly converted into a step toward socialization.

Operating companies, cut off from their financial supports, will face new difficulties in obtaining capital. Companies, thus set adrift, will be easy prey for the collectivists.

They will be ready to pounce!

However, although the Public Utility Act was a great victory for socialization, it was not necessarily the greatest. That distinction

probably goes to the program of duplication and competition which has made great headway in the past few years. A major triumph in this program was the act creating the Public Works Administration.

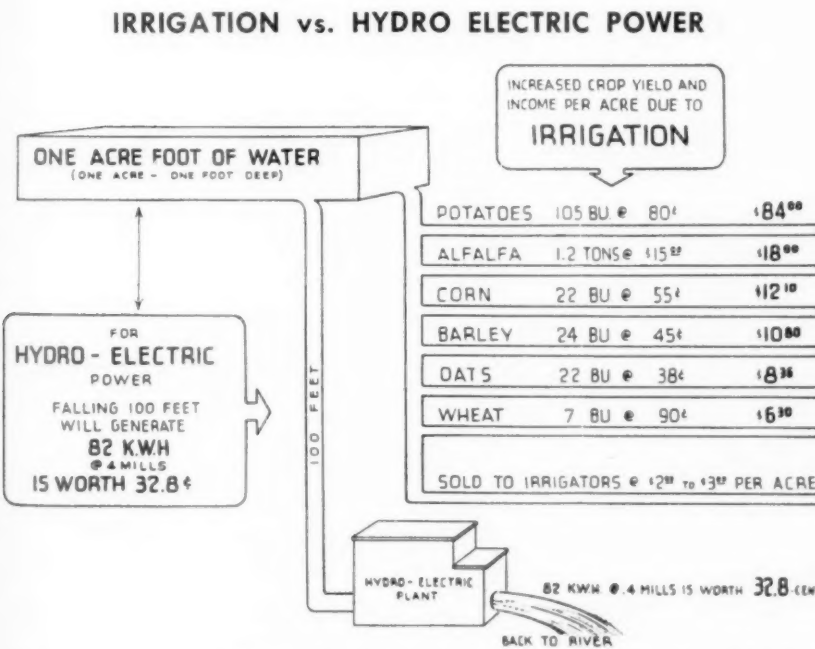
Born of a depression which aroused a general desperation to do almost anything that promised to help the economic situation, this act gave substance to a new public policy—a policy of attacking the unemployment problem by creating a vast fund for the construction of useful public works. It also created a magnificent opportunity for furthering the conquest of the electric industry, as a small shrewd group of socializers quickly observed.

After P.W.A. was formed, the Administrator set up a special power division to receive, study, and pass on projects involving the generation, transmission and distribution of electric energy.

Avoiding legal obstacles

THIS division was largely staffed by proponents of government ownership in general and of electric utilities in particular, including Carl D. Thompson. Unhappily for them, several legal obstacles stood in the way of government ownership. The federal Government, of course, has no more right to generate power for sale as a business than it has to operate a chain of shoe stores. Some sort of disguise was necessary. Two were soon found:

First, hydro-electric dams were built as "flood control" and "navigation" projects. The head of water thus created was utilized to generate power on the theory that such "incidental" or "by-product" values must be sold lest a federal asset be wasted. This theory permitted large charge-offs to alleged navigation and flood



This illustration points out the relative values of water when used for irrigation and when used for generation of power. Water available for power generation which cannot be put on the soil sometimes helps pay for irrigation projects but, in the conflict between the two uses of water, the emphasis often is unfortunately placed on power to the detriment of reclamation



Cooperating with the railroads, the power industry has made travel faster, cleaner and more comfortable

A political issue—not a business one

We shall steadily require more power, but a great deal more fuss is being made over hydro-electric power than its intrinsic value warrants. The first and best source of power is coal. The amount of coal available is not limitless, but for all practical purposes it is limitless. We can probably use coal at our present rate for a thousand years or so without any danger of exhausting our supply and it is highly improbable that we really know our supply. . . .

The development of hydro-electric power is very important, but also it is very expensive and usually requires an auxiliary coal-steam plant. Some of the best water power is too far away from our manufacturing centers to make its utilization wholly practical.

Water power is a political issue, not a business one. It can never, at the best, mean very much to us except as something to talk about. The monopolizing of water power is also just a political idea. . . . There is far more danger in public monopoly than there is in private monopoly, for, when the Government goes into business it can always shift its losses to the taxpayers. If it goes into the power business, it can pretend to sell cheap power and then cover up its losses.

The Government never really goes into business, for it never makes ends meet. And that is the first requisite of business. It just mixes a little business with a lot of politics and no one ever gets a chance to find out what is actually going on.

—Thomas A. Edison, in 1929

Offenses of a few

If the industry were in a position to discipline these blunderers, it would surely do so; but the industry has had no way of stopping any one from buying into it, and the newspaper story of the present foolishness is an excellent illustration of how the whole industry has had to suffer because of the offenses of a few who were never invited by us into our industry and whom we have no power to get rid of.

—Alex Dow, referring to actions at the time of the passage of the Wheeler-Rayburn Act

Flood protection now incidental

The record conclusively shows that, if these dams are to be operated and managed so as to produce sufficient revenue from the sale of power and water to amortize the bonded debt over a given period of 30 years, in accordance with the present policy of the (Lower Colorado River) Authority the only flood protection that may be realized will accrue as a mere incident to the operation of the dams for power purpose.

—From a report of a Texas State Senate investigating committee



M. MANIGAL

Using a portable motor and power which costs less than he pays for cigarettes, the farmer finds his daily tasks lightened

control benefits, thus reducing the capital charges upon which power rates must be based.

Second, cities, counties and specially created power districts were induced to accept financial aid for the construction of power facilities, as Public Works projects to "relieve unemployment."

The theory of "multiple purpose" dams cannot be condemned out of hand. Sound engineering has made possible the use of certain western dams for irrigation and power generation on streams especially adapted to such combinations. The simple fact remains, however, that, as a general proposition, the reservoir behind a dam used for flood control should be empty so that flood waters may collect in it while the reservoir of a power dam must be full to provide a head of water to operate turbines. The P.W.A. program shortly demonstrated this principle.

The \$12,000,000 Buchanan Dam financed by P.W.A. money, of which 45 per cent was a gift, was the first of several on the Lower Colorado River of Texas. Its announced purpose was to control the floods that ravish the lower valley. Power generation was incidental.

When the dam was completed, however, its reservoir was filled to generate "incidental" electric power. Soon thereafter a flood came down the river, roared over the dam and into the lowlands below where farmers had planted heavily on the assurances that the Lower Colorado's floods had been tamed. Texas newspapers were filled with charges of a "man made flood."

They estimated local losses from this flood at from \$5,000,000 to \$10,000,000—more than half as much as the cost of the project.

Congressional approval not needed

ANOTHER P.W.A. technique overcame the difficulty of obtaining congressional authorization for the construction of some of the larger hydro-electric projects. After allocating funds for a year or more, P.W.A. dumped the projects in the congressional lap on the plea that the federal investment had become so great that completion was virtually obligatory.

Bonneville Dam provides a typical example of this technique. This project was begun with a P.W.A. grant of \$20,000,000 to the Army engineers September 29, 1933. The total estimated cost was \$31,000,000. So far the federal Government has spent \$93,000,000, including \$27,000,000 for transmission lines.

After P.W.A. had carried the project along for two years and the federal investment had reached \$30,000,000, it became necessary, if the money spent was not to be a total loss, for Congress to continue construction. An act creating the Bonneville Administration was passed in 1935 and the Corps of Engineers began to receive regular appropriations for continuing the work while the Bonneville administrator began to receive funds from the Interior Department for administration and for construction of transmission lines.

Thus, the Bonneville Dam Administration became a regularized agency of the government.

The technique differed little with other giant hydro projects, Fort Peck, Passamaquoddy, Central Valley, and Grand Coulee Dam, all were launched without specific congressional authorization under the unrestricted powers given to P.W.A. All of them later went to Congress to ask funds to complete the work P.W.A. started and, when Congress proved less generous than desired, P.W.A.—except in the case of Passamaquoddy—always came to the rescue.

The installed capacity of hydro-electric power projects begun by P.W.A. without congressional investigation or approval exceeds 5,000,000 horsepower. According to the U. S. Geological Survey statistics, the installed capacity of all hydro-electric generating plants in the nation in 1933 was less than 16,000,000.

Then they needed markets

SINCE every one of these projects was built in an area already adequately served by private and municipally owned systems possessing their own generating capacities, the new dams had no markets for their power.

The grants to the specially created power districts and municipalities helped to provide this market. Since, under the law, the funds could not be used to buy existing facilities, the districts had to use their grants to build new equipment which duplicated the private lines. A heavy federal subsidy—45 per cent—made this possible. The threat of these duplicate lines was used to force private companies to sell out to the local puppet power districts and municipalities. This club brought many private companies to their knees. It also brought action in Washington.

In 1938 the Senate Appropriations Committee adopted a restriction that P.W.A. funds should not be allocated to "income producing projects . . . which will compete with any existing privately owned or operated public utility, the rates of which are now subject to public regulation."

This amendment was sound in its intent but it was felt at that time that the language was so broad as to include a much wider field than the Committee contemplated. Senator Maloney proposed a substitute which provided in substance that no funds for a duplicating electrical project should be allotted until the affected utility company had rejected a *bona fide* offer to buy its facilities at a price fixed by a board of arbitration.

Before this amendment was adopted, however, majority leader Senator Barkley expressed the view that such a provision might cause delay and litigation. In lieu of an amendment written into the law, therefore, he gave to the Senate what has since become known as the "Barkley Pledge." He stated:

However, I am authorized by the President to say that he has not changed his opinion as to the propriety or wisdom of allocating federal funds for the construction of publicly owned utilities where there is an existing utility giving adequate service and whose rates are regulated by public authority unless and until the municipality has in good faith made an offer to purchase the private utility at a fair and reasonable price. And I am authorized to say that it is his purpose to carry out this policy in the allocation of any funds under this appropriation

Prophecy

Tom assured me that the utilities were "licked." I asked whether that meant that the T.V.A. was going to try to take over the Commonwealth and Southern.

"And you're damned right it will—and all of the rest of them, too," Tom said.

"You realize what that means?"

"Well, we're going to squeeze them for a couple of years, at any rate," Tom said.

I remarked that you don't do that kind of thing for "a couple of years." If you did it, it stayed done.

"Yes, I suppose so," was the answer. "It won't come fast, but 20 years from now the Government will own and operate all the electric utilities in the country."

—Raymond Moley, describing a conversation with Thomas Corcoran in his book "After Seven Years"



ACME

Passamaquoddy, seen here in miniature, was unique, not only because of the bizarre method by which it was proposed to produce power but because it is the only such project that the Government has dropped



EWING GALLOWAY

But for electricity to run its elevators, the modern skyscraper would be impossible. Here electricity not only operates the car but, through the electric eye, counts the passengers

Ponca City was a "taxless town"

PONCA CITY, Oct. 17—(Special)—Kay county delinquent tax list is to be published October 20 and 27. It will require 16 pages or 129 newspaper columns, to print the list, 24 columns increase over the 1931 job. There are 15,000 descriptions, covering delinquent ad valorem, paving, sewer and weed taxes, the last three being strictly municipal. Ponca City's delinquent ad valorem tax has increased six columns.

—The Oklahoman, October 18, 1932

Send bill to citizens

Only so late as Monday of this week, King County Superior Court directed that a verdict of \$3,500 for damages against the Municipal Street Railway System be paid out of the general fund supported by taxation on every piece of taxable property in Seattle because the Railway System had no money to pay the judgment. That's the first of the court precedents fastening responsibility and liability on a municipal-ownership business venture on the general fund.

—Edwin Selvin in the
Seattle Business Chronicle, Feb. 3, 1932

for the construction of public utility plants, and that he does not contemplate or expect or intend to allocate funds out of this appropriation for this purpose unless and until such municipality as may apply for such an allocation has in good faith made an offer to purchase the existing private utility coming within the above description at a fair and reasonable price. In other words, it is not his purpose to allocate funds from these appropriations to set up competing publicly owned utility plants without giving the privately owned utility plant an opportunity to sell its property at a reasonable price to the public which desires and is authorized to engage in the construction and operation of such a plant under the laws of the state where located.

Later in the same debate it was explained that the responsibility of determining the fairness and the good faith of such offers would rest on the same official who is responsible for the P.W.A. power program, the Administrator.

The Maloney amendment was not agreed to.

The method proposed in the Barkley Pledge had little appreciable beneficial effect. In fact it has become in many instances a stronger club against private companies. Under the threat of duplication, a 16 county area in Texas was transferred from private to public ownership. The letter of the Barkley Pledge—if not the spirit—had been applied. The result was a sale at a price which could have been obtained only under the duress of threatened duplication from then pending allocations.

In another instance, a group of cities within the area served by a single company made so-called *bona fide* offers of purchase which the company estimated averaged 53 cents on every dollar of actual investment. The administrator held this offer to be reasonable. In another city where the private company had a cash investment of \$240,000, P.W.A. insisted that the town increase its offer from \$40,000 to \$50,000 before it approved the "fairness" of the offer.

Municipal ownership wasn't new

BY WAY of inspiring cities to borrow federal money for construction of power plants, the public ownership advocates painted glowing pictures of the advantages growing from municipal ownership. Those who listened ignored the fact that municipal ownership had had a pretty thorough trial without setting any startling records.

Although the researches which made power plants possible were carried on by private enterprise and the first operating power plants were established in the same way, it was not long before small municipalities were issuing general obligation bonds to set up electric systems. Distrust of private initiative played no part in this. Small towns wanted electricity but offered possibilities too limited to attract private capital. Means of transmitting current over long distances had not yet been developed.

So, the only answer was a small municipal plant. Later, when improved transmission, the central station and the holding company made it possible to supply these towns from nearby cities most of these municipal plants were sold or abandoned.

Naturally public ownership advocates did not stress this bit of history.

Instead, they told of cities where the municipal light plants had eliminated all need for city tax levies.

Now municipal ownerships may be good or bad—it is largely a question of management and local conditions. In some cities it has succeeded. But public ownership advocates implied that every city which built a municipal plant would almost automatically thereby become a "taxless town."

For the most part they aimed their shafts at central towns in the systems of private power companies. If such a key town could be reduced to public ownership, the whole private system was more easily disrupted. The method shortly became known to the trade as "buckshot competition."

How political power makes good

BY SUCH means, the forces of socialization are conducting a gradual infiltration of the power industry—an infiltration which, according to their promises, means electric service far superior to what the people have been getting and at lower cost. The extent to which political operation is able to fulfill these promises is now being demonstrated by the Tennessee Valley Authority. It is altogether fitting that this demonstration should take place at Muscle Shoals. That area has been bobbing in and out of American politics for more than 100 years.

In 1824, President Monroe submitted to Congress recommendations for improving navigation on the Tennessee River by building a canal around the shoals. The canal was so useless that private citizens built a railroad around the Muscle Shoals rapids. Forty years later a plan for enlarging and extending the old canal was undertaken with little success. New plans were submitted off and on until 1916, when the National Defense Act providing for the construction of a nitrate plant was passed. Although a board of business and scientific men refused to recommend the Muscle Shoals site, President Wilson appointed another board which did.

There Nitrate Plant Number One was built for \$13,000,000. It wouldn't work. Nitrate Plant Number Two was authorized. It cost more than \$75,000,000 and could not produce nitrogen as cheaply as it could be bought in the open market.

At the close of the War, the Government had spent nearly \$100,000,000 on the Muscle Shoals project.

Years of controversy followed. There were three possible solutions to the Muscle Shoals problem. The first was to sell or lease it to the highest bidder. The second was to let the War Department operate it and sell power. The third was the solution proposed in Senator Norris' perennial super-power bill. His idea was to put the federal Government into the business of generating and distributing electric light and power and underselling the existing privately owned companies, thus putting them out of business. President Hoover vetoed the Norris measure but, as the urge to legislate our way back to prosperity swept over the nation, the T.V.A. came triumphantly into being.

As usual, in the title of the Tennessee Valley Authority Act, the

Salvaging past waste

The continued idleness of a great national investment in the Tennessee Valley leads me to ask Congress to enlist this project in the service of the people.

It is clear that the Muscle Shoals is but a small part of the potential usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development. It enters the wide fields of flood control, soil erosion, and distribution and diversification of industry. In short, the power development leads logically to national planning for a complete river watershed involving many states and the future lives and welfare of millions. It touches and gives life to all forms of human concern.

I therefore suggest to the Congress legislation to create a Tennessee Valley Authority—a corporation clothed with the power of Government but possessed with the flexibility and initiative of a private enterprise. It would be charged with the broadest duty of planning for the proper use, conservation and development of the natural resources of the Tennessee River drainage basin and its adjoining territory for the general, social and economic welfare of the nation. This Authority should also be clothed with the necessary power to carry these plans into effect. Its duty should be the rehabilitation of the Muscle Shoals development and the coordination of it with the wider plan. Many hard lessons have been taught us by human waste that results from lack of planning. Here and there a few wise cities and counties have looked ahead and planned. But our nation has "just grown." It is time to extend planning to a wider field, in this instance comprehending in one great project many states directly concerned with the basin of one great river. This, in a true sense, is a return to the spirit and vision of the pioneer. If we are successful here we can march on, step by step, in a like development of other great natural territorial units within our borders.

—Franklin D. Roosevelt,
April 10, 1933, message to Congress

Definition

The Tennessee River: a river that flows through five states and drains the nation.

—Wendell Willkie

No mention of "power"

To improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of government properties at and near Muscle Shoals in the state of Alabama, and for other purposes.

—From the Preamble to the Act creating T.V.A.

These dams are power dams

These dams are not being built for scenic effect, these millions of dollars are not being spent merely to increase business activity in this area. These dams are power dams, they are being built because they will provide electric power.

—David E. Lilienthal, Power Director of T.V.A. in an article in the *Chattanooga News*, March 1, 1935



The electric street car gratified the universal urge to lie abed in the morning. It shortened to minutes the trip downtown that took a long time by horsecar

power program is screened behind the laudable objectives of flood control and other worthy causes. Many Congressmen who voted for the original act were bewildered to discover what they had created.

The innocent language of the title of the Act has long been forgotten except when T.V.A. defends its power in the courts. That the tail of "incidental" power is actually wagging the dog of flood control is an accepted fact.

Yet, by arbitrary self-evaluation of T.V.A.'s benefits to flood control and navigation, all but 38 per cent of the multiple purpose costs are charged off to non-power uses. Thus it is possible to create a fictitiously low capital base which permits interest and depreciation charges far below actual costs. This, of course, is one of the major shams of T.V.A.'s contention that it is a yardstick to determine rates that private enterprise should charge.

By alternate methods the same or better flood control benefits could be had at a cost of \$80,000,000—by means of headwater storage dams, empty except in time of flood. Capitalization of the annual flood losses (averaging about \$1,500,000) from this river—estimated by Army engineers—justifies an outlay of not more than \$30,000,000 for flood control—assuming such expenditure would eliminate all flood losses.

Another "man-made flood"

FOR FLOOD control and navigation—and incidental power—T.V.A. will remove from production and from the tax rolls, according to its own figures, practically 1,000,000 acres of rich bottom lands. Most of this will be permanently drowned out. The greatest inundation in recorded history briefly covered only 541,000 acres of the Tennessee Valley.

To control high water, T.V.A. superimposes above the operating head for its hydro plants, storage space for 8,928,000 acre feet of water. But, before it drowned out the valley, there existed in natural channel storage—the bottom lands annually renewed and refreshed by spring freshets—some 14,600,000 acre feet. Thus, after it has harnessed the river for power, T.V.A. has actually created a net deficit of flood storage space of 4,500,000.

Ironically enough, most of the flood danger is at Chattanooga where Army Engineers propose to build a \$20,000,000 flood wall to protect the city from T.V.A.'s flood "controlled" river!

Yet T.V.A. charges off from its power bill \$100,000,000 to flood control.

The 640 miles which T.V.A. proposes to provide with a nine-foot channel to Knoxville will cost at the rate of \$180,000 a mile. By the methods used by the Army Engineers, the Ohio, teeming with river traffic, was given a nine-foot channel from Cairo, Ill., to Pittsburgh, 973 miles, at a cost of \$130,000,000 or \$133,000 a mile. The Army estimated the cost of a nine-foot channel on the smaller Tennessee at \$117,000 a mile.

By building a series of low dams, a nine-foot channel to Knoxville could be created at a cost of \$75,000,000, according to official Army Engineer estimates. Such a channel would be adapted to the

low-sill barges that ply the confined channels of inland waterways but can navigate the great open water lakes of the T.V.A. only at considerable risk.

Bona fide friends of navigation and flood control object to the misuse of these objectives to give legal color to the power program and to reduce the capital base upon which "cheap" power rates of T.V.A. are predicated.

Yet T.V.A. charges off from its power bill \$115,000,000 for navigation.

Thus, for not more than \$155,000,000, according to official estimates, the two legitimate objectives of T.V.A. could have been accomplished. By adding power, T.V.A. has increased its cost to at least \$500,000,000—exclusive of the purchase of private companies it has forced out of business, companies whose forced sale price totals \$110,000,000.

The initial charge-off of capital costs is only one of several methods by which T.V.A. has been able to arrive at power rates so low as to destroy its private competitors.

Most obvious of these is tax avoidance. T.V.A. averts the direct charge that it pays no taxes by paying five per cent of its gross revenues on wholesale power to the states in which it operates. The companies which its competition has forced out of business paid an average of more than 16 per cent of their gross revenues from *retail* sales—a difference of millions of dollars annually.

T.V.A. recently submitted to Congress tables showing the amounts paid to local and state taxing agencies by the private competitors it has gobbled up. These tables show a tax loss of \$3,500,000 annually to local taxing agencies, from T.V.A. acquisitions alone. Another \$1,500,000 annual tax loss is accounted for by purchases by municipalities and cooperatives of private facilities in conjunction with T.V.A. The bottom lands bought for reservoir purposes also paid taxes of \$241,700 annually (with about half the land purchase program completed). Of this, T.V.A., by means of the multiple-purpose theory, assigns \$92,092 to power. The same tables reveal that the federal tax loss due to purchases by T.V.A. and its municipal colleagues totals \$438,000 annually (not including such items as social security, state and federal, gasoline taxes, taxes on bond interest, and regulatory fees).

\$5,530,000 in taxes lost

ALLOWING for T.V.A.'s charge-off of \$149,000 to navigation and flood control on its reservoir lands, an admitted tax displacement, federal, state and local, totalling \$5,530,000 annually, still remains. And only five of T.V.A.'s proposed ten dams are operating as yet.

To replace this amount in part, T.V.A. is required by the law to pay to the states, on the basis of five per cent of wholesale gross, \$700,000—leaving a tax void of \$4,800,000. (Part of this may be recaptured by municipalities in tax contributions superimposed on retail rates but county, state and federal tax losses remain unchanged.)



KEYSTONE-UNDERWOOD

A power company transferred the Wilson dam site to the Government for \$1. It was then fined \$500 for reproducing the check in an advertisement

"Nothing to be hidden"

The President wishes that somewhere in America there should be a case of public generation, distribution and sale of power. He is of the opinion that power developed in this country ought not everywhere be a public project, that private development of power has decided advantages and ought not to be abandoned. But he feels there ought to be here and there cases of public ownership which can serve as comparisons, they must be open and aboveboard, with nothing hidden. They must be fair, with no special arbitrary advantages. They must pay taxes, just as private utility companies must do, and every reasonable charge, if they are to provide us with a fair comparison.

—Arthur E. Morgan,
in the Forum, March, 1935

T.V.A. can't take it

A proposal from a great association of Tennessee says, in effect, "Let the T.V.A. property be subject to taxation the same as everybody else's property." On my desk now there is a printed amendment intended to be offered which provides that all property of the T.V.A. shall be subject to taxation everywhere under the local laws of taxation. If we go to that extreme, Senators can see that the T.V.A. would be out of business in three months.

—Senator Norris in a statement appearing
in the Congressional Record of April 13, 1939



Only where conditions are right is water power cheaper than coal, and the insistence on government financed hydro plants means unemployment for miners and for railroad men who haul their product

The "first objective"

The Tennessee Valley Authority Act marks the beginning of a new national power policy and national power program. This new national policy has two major objectives. The first objective is more effective protection of the public interest, by setting up a measure of public operation of power as a "yardstick." The second objective of this national policy is a greatly increased use of electricity in the homes, the farms and the factories of the United States—an electrified America. The President and the Congress have set themselves to the task of putting to work the vast sources of electricity which lie idle and unused. . . . The power program of the Authority is a crucial part of its plan for immediate action and of the long range program for the development of this region.

—From an early T.V.A. press release

Little is said of the fact that the federal taxpayer, who foots the bill for the construction of T.V.A., gets nothing from T.V.A. for the federal taxes T.V.A.'s competition destroyed.

The chief emphasis today is on the acute condition confronting many counties, school districts and—to a lesser degree—states. Legislation for the relief of these taxing units is pending in Congress. Whether such relief shall come from the pockets of the federal taxpayer who must pay for T.V.A.'s deficits or from increased power rates charged by T.V.A. remains for Congress to determine.

The losses of the federal taxpayer do not end in the loss of revenues from taxes formerly paid by private enterprise.

In computing its net income, T.V.A. disregards any interest charge for Uncle Sam's investment. It pays interest only on about \$60,000,000 of bonds which it sold to R.F.C. to raise money to buy private facilities.

More dams mean greater loss

ON THE \$96,000,000 of congressional appropriations which it charges to its income producing power properties (after due write-offs to navigation and flood control) it pays nothing. At the 2.5 per cent rate it pays R.F.C. this interest would equal \$2,400,000 annually. As more dams are built, this loss will, of course, increase.

Enjoying franking privileges, freight reductions and other governmental benefits as it does, T.V.A. still enjoys the double immunity of tax exemption and interest exemption which total \$7,200,000 annually. These estimates are all based upon official figures of the Authority.

Rate reductions of \$4,000,000 annually were announced when private company properties were taken over in August. Another reduction of \$3,200,000 would be required here if political operation is to measure up to the yardstick of private operation.

All of this was made possible because the political socializers convinced the public that unused water power was economic waste.

Water power, the people were told further, is cheap and permanent. That is only partly true. When water power is cheap, it is very cheap but frequently before it can be used, expensive dams and equipment are necessary. In many locations, steam plants using coal are far cheaper than water power and more efficient.

One such location, apparently, is the Tennessee Valley. There the Tennessee Electric Power Company proposed to build a new coal burning plant in Nashville. To do this, it had to get permission from the Tennessee Public Utilities Commission which wanted to know, first, why the company should build a coal burning plant when an abundance of power generated by the T.V.A. was available. Both the company and T.V.A. submitted data. Engineers and other expert witnesses testified at hearings.

After gathering the evidence, the Commission found, in a majority opinion, that "the cost is less to the Tennessee Electric Power Company to build a steam plant to produce power than to purchase (from T.V.A.) power at the rate proposed." In its opinion, the Commission said:

Taking into consideration all of the testimony and facts before the Commission and guided by the applicable laws of the state of Tennessee, the Commission is of the opinion that the weight of the evidence is so overwhelmingly in favor of erection of the steam plant in lieu of the purchase of power from the Tennessee Valley Authority, under its proposed rates, that the Commission must approve the purpose of the security issue and therefore grant its approval for the issuance of the securities as prayed for.

The Commission finds that there is the necessity for the Tennessee Electric Power Company to provide facilities to meet the power requirements of the Nashville area, and that the construction of a steam plant affords the most economical means of accomplishing this purpose. . . ."

T.V.A.'s unavoidable competition with the coal industry was early pointed out. The National Coal Association, speaking for the bituminous coal industry, opposed the Authority from the start and, in 1934, adopted a resolution declaring that "the hydro-electric power development now being initiated by the T.V.A. . . . is without social or economic justification and, on the contrary, is wasteful, extravagant and destructive and ought to be speedily halted. The consummation of this program will increase unemployment instead of relieving it; will dislocate and destroy private industry instead of stimulating it; will effect direct losses of incalculable amount upon the coal industry and related business, upon the railroads, and upon the privately owned utilities; will impose new large and unnecessary burdens upon the American taxpayers, and, taken in its entirety, this stupendous water power development is calculated to retard rather than promote recovery."

The Association's declaration that T.V.A. would destroy existing markets for millions of tons of coal as well as preempt future markets was denied by proponents of the Authority. They declared that their program would so increase industrial expansion in the area that there would be plenty of market both for coal and electricity.

T.V.A. wins in the end

THE Nashville situation demonstrated how far this forecast was fulfilled. A Coal Association official, appearing in opposition to the Seven T.V.A.'s act, which purposed to blanket the country with similar projects, said:

. . . . At this very moment, in Nashville, Tenn., we have a concrete illustration of precisely what we had feared. The local electric operating company at Nashville had need to augment its present supply of electric power. It proposes to add to its present facilities by constructing a new and up-to-date coal burning steam generating plant at a cost of several million dollars, a plant that it is estimated will consume on an annual basis a minimum of 100,000 tons of bituminous coal. An unlimited supply of suitable coal is close at hand and available at a comparatively low delivered cost—not exceeding \$2 a ton. Modern coal burning electric generating plants have a far higher efficiency than in years gone by. Under present conditions the ratio is 1.44 pounds of coal to one kilowatt hour. Low cost plus high efficiency spells low generating cost.

The proposed steam plant at Nashville can produce electric power, substantially below the true cost of T.V.A. hydro power delivered at Nashville. But of course T.V.A. does not figure the real cost of its



Even the mine mule has benefited from progress. Now electric engines handle the loads he once moved below ground

Nobody listened

1. The Government's power plants at Muscle Shoals and the proposed Cove Creek development are not suitably located to serve as the main generating system of an extensive independent power system.
2. The construction of an independent system would involve expenditures of public funds.
3. The cost of transmitting power in such a system would be high and the reliability of service at long distances from the generating system would be poor.
4. The construction of such an independent system would be an economic waste, in that it would duplicate transmission facilities now ample to serve the region.
5. It may be expected that the deficit from the construction and operation of such a system, which will have to be met by the federal Treasury and by the general taxpayers, will largely exceed any savings from lower rates which may accrue to the limited local public served.

—From an official report by M. C. Tyler, Lt. Col., Corps of Engineers, U. S. Army, dated October 29, 1931



EWING GALLOWAY

Electricity works beside the surgeon to cure ills, relieve suffering and improve the standards of health

An impressive story

Nor will I have time to describe the effect of lower industrial power rates in stimulating industrial enterprise in the South; it is, however, an impressive story.

—David E. Lilienthal in a speech
"T.V.A. and the Widening of Economic Opportunity," at Columbia University

Compilation of the dollar value of industrial plants located in the various states of the South in 1938, from the Blue Book of Southern Progress issued under the auspices of the Manufacturers' Record:

North Carolina	\$9,335,000
South Carolina	1,544,000
Tennessee	548,000
Mississippi	4,933,000
Alabama	21,629,000
Georgia	5,799,000
Kentucky	1,425,000
West Virginia	7,150,000
Virginia	26,939,000
Arkansas	8,075,000
Louisiana	12,817,000
Florida	3,194,000
Maryland	4,775,000
Missouri	3,800,000
Oklahoma	5,811,000
Texas	26,001,000

hydro power, and now, having large blocks of power which it is under the necessity of disposing of at whatever price may be obtained, the T.V.A. is doing everything it can to prevent the building of a steam plant at Nashville by the private company. . . .

The T.V.A. demands the privilege of supplying the private company at Nashville with T.V.A. hydro power and stands ready to sell the company any amount required at a price lower than the company can generate it by steam, irrespective of what that cost may be. Stated another way, whatever the steam power cost, the T.V.A. power cost will be lower and the balance made up with public funds. Could there be a clearer example of a subsidy with taxpayers' money and a clearer example of the kind of competition against which private capital is helpless and the coal industry is helpless. Could there be a more perfect illustration of the displacement or attempted displacement of coal power by T.V.A. hydro power—of the T.V.A.'s annihilation of coal markets?

Although the Nashville Company won permission to build the steam plant as it desired, T.V.A. has since bought out this property as well as all other private companies in Tennessee.

This official also estimated that the seven T.V.A.'s would eliminate 20,000 carloads of coal, 400 trains of 50 cars each and eliminate the employees required to operate them; cause a loss of railroad freight revenues of more than \$2,000,000 (and 50 cents of each railroad revenue dollar goes to labor); cause a loss of more than \$1,000,000 annually in the pay envelopes of mine employees; eliminate in the aggregate, 1,000,000 work days; permanently close down hundreds of mines upon which whole communities depend for support.

But the T.V.A. story is pretty well known no matter how it is told and it has been told in many ways. Like the Irishman's flea, the project has a disconcerting knack of being somewhere else at the moment of any attack. If its navigation program is questioned, it was designed primarily for power or irrigation or conservation. At the moment it is a great national playground.

Nebraska gets "super-power"

OTHER adventures in political operation do not have this facility. They have not needed it greatly since T.V.A. held the spotlight. But some are worth noticing, particularly those in Nebraska, Senator Norris' home state, where about one-third of P.W.A.'s allotments for non-federal power projects was spent and a state-wide politically owned power system was promised to the people.

Nebraska's power developments are three in number. They are being built by political subdivisions of the state under the law providing for creation of "public power and irrigation districts."

In the beginning, the production of power, by the westernmost of these developments, the Sutherland, was secondary. Farmers in that vicinity had long sought some means of irrigating lands where, in dry years, crop failure is almost certain. Power was needed merely to help carry the costs of irrigation.

With the Loup River Public Power District in the eastern part of the state, however, irrigation played no part; the idea was merely

to end unemployment by building a power plant. A little less than \$6,000,000 was needed there. The Sutherland project estimated it needed \$4,806,000. Both applied to R.F.C. for these amounts and got nowhere. P.W.A., however, granted both applications with unexpected generosity.

Instead of \$4,806,000, Sutherland received \$7,500,000 of which \$1,500,000 was a grant. Columbus got \$7,300,000 of which \$1,000,000 need not be repaid.

Thus financed, Sutherland made plans to start construction early in 1934. Water for thirsty farms was promised by the summer of 1936. The optimism was unjustified. P.W.A. and the Platte river were still to be reckoned with. The former's insistence on approving organization and plans delayed the start of work until September, 1934.

After the work began, the directors found that P.W.A. was still on hand. Contractors must be chosen from a list prepared by P.W.A. P.W.A. also determined wages, working hours and conditions, supervised preparation of plans, the opening of bids and the letting of contracts.

The river was even more obstinate.

Rising in the Rocky Mountains of Wyoming and Colorado, the Platte flows roughly east across Nebraska. Most of its water comes from melting snow and its volume is therefore great in the spring and tapers, in dry years, to literally nothing. At Grand Island, Neb., records show no flow of water whatever for 222 days in 1934; 95 in 1935 and 188 days in 1936. The city has held its Fourth of July celebration in the dry bed where errant firecrackers could cause no property damage.

However, the Sutherland effort was begun. Necessary, of course, was a dam which would impound the heavy flow of the spring and then release the stored waters to provide a steady stream throughout the year. Unhappily for the sponsors of the project and the farmers who were impatiently waiting for irrigation, even the waters proved to be perverse. They tended to flow anywhere except in the channels provided for them. Soon seepage, erosion, ice, silt and evaporation were straining the ingenuity of the engineers.

The Sutherland plan provided for a low dam near Keystone on the North Platte river, some 70 miles of canals, a regulating reservoir, a generating plant, and a large concrete siphon to take the diverted water under the South Platte river.

More money!

LESS THAN a year after work was begun, \$2,200,000 more was allotted to the project but it was obvious that even this would not be enough. By that time, too, neighboring farmers were beginning to be heard from. Errant waters, disregarding their allotted channels, were roaming through the porous Nebraska soil, flooding cellars and backing up cess pools.

The district supplied pumps in a futile effort to keep basements dry and spent some of its new appropriation to cement the canal banks to keep them from caving in. P.W.A. allotted another \$465,-

Mystery

The Nebraska projects have intrigued me very much. My first work after graduation over 50 years ago was in central Nebraska and I am fairly familiar with the Platte river through the state and was on construction of the Burlington up the Loup river. How any competent engineer could expect to make power developments that could be successfully operated is utterly beyond me.

—H. E. Riggs, Ann Arbor, President, American Society of Civil Engineers

"Any other river"

I looked at the Platte, on behalf of an eastern group, more than 40 years ago, and decided that I would prefer to have dealings with another river—almost any other river.

—Alexander Dow, President, the Detroit Edison Company



EWING GALLOWAY

The industry's contribution to urban life includes aid in traffic control and better lighted streets which mean greater safety and crime prevention

A last appeal

I want to see you personally for the purpose of making a last appeal for the allowance by the P.W.A. of the Central Nebraska Public Power and Irrigation District's application, popularly known as the Tri-County project.

—Senator Norris in a letter to President Roosevelt, June 26, 1934

So there!

The engineer whose conduct is the subject of your letter will have nothing more to do with the Tri-County or other Nebraska projects and his report will be disregarded.

—From Secretary Ickes' letter to Senator Norris



ERWING GALLOWAY

Miniature drills for teeth, or monster drills for mines, electricity provides either, ideally suited for the work at hand

000 to the project, bringing the total to \$10,165,000, more than double the original estimate.

By November, 1936, water began to flow into the canal. Power was distributed to customers. Then February 5, 1937, the canal beyond the siphon under South Platte froze and formed an ice jam. Some 40 feet of embankment washed away, the south 60 feet of the siphon was undermined. Repairs were rushed and service begun again, only to have the discharge end of the siphon let go. In August, 1937, a contract was let to repair the siphon and an application for \$1,257,000 more submitted to P.W.A.

Meanwhile to the east, Columbus was faring little better. The Loup river, from which it planned to take its water, is a tributary of the Platte. Rising in sand hills and lakes in northern Nebraska, its seasonal variations of flow are not so great as those of the Platte but this tendency toward normality is richly balanced by the tremendous amount of silt the stream carries. Measurements by Army Engineers revealed that the Loup carried the startling total of 6,000,000 tons of suspended matter in a little more than seven months.

The Loup is also reactionary

THE COLUMBUS plans called for a diversion dam near the town of Genoa, some 35 miles of canal and two generating stations.

Since Columbus is nearer the populous east end of the state, the market possibilities for this power were better although some feeling was aroused when Columbus claimed, as markets for its power, several of the cities to which Sutherland had hoped to sell.

Worrying about this phase of the operation, however, soon proved to be premature bridge-crossing. Variations of flow in the Loup soon demonstrated that dependable year-round power could not be expected from the Columbus plant so, in June, 1935, a contract was drawn up under which Sutherland agreed to sell power to Columbus when the latter needed it and Columbus was to sell such energy as the Sutherland project could not dispose of in its own limited market.

Soon Columbus, too, needed more money. Part of it went into a settling basin where silt was expected to drop to the bottom and be pumped into a concrete trench. It developed that mud would not run out of the trench and so it was pumped over the bank onto the adjoining lands.

It also developed that the soil of the section was unsuited to hold water. When water was turned into the system, nearby farms were swamped.

While these two projects were wandering through their increasing maze of complications, a third was struggling, first for recognition and later to emerge from the same swamp that had engulfed the others. This was the Tri-County project, beloved of Senator Norris, and located in west central Nebraska.

Here, as at Sutherland, irrigation was what was needed and electric power was to help meet the cost. At about the same time the other projects were asking for funds, Tri-County sent P.W.A.

an application for \$30,000,000 for dams, canals, power plants, irrigation canals and reservoirs.

The request was refused.

Senator Norris objected strenuously. He tried to hold up the funds allotted to Sutherland unless the Tri-County request was granted. When he failed in this, he wrote to Senator Ickes.

He later wrote to the President. Soon Tri-County received \$10,000,000 of which \$4,500,000 was a gift from the federal Government. Even Tri-County was surprised.

P.W.A. holds purse strings

IT WIRED P.W.A. asking for what the money was to be spent and which of their various plans—through the years there had been several—was to be used in building whatever they were to build. It was P.W.A.'s turn to be surprised. An engineer was sent to Nebraska and representatives of the three projects were called together in a closed meeting which decided—at least P.W.A. decided—that the three projects should be united into one system under P.W.A. control which would go into active competition with the private utility interests.

Tri-County, which had only about one-third of the money it needed, necessarily had to agree. Columbus wasn't so sure. It had the markets, provided it got any power with which to serve them. Neither was Sutherland. It felt that it should control Tri-County. It had a system, of sorts, and it wanted to go ahead and supply its farmers with water.

P.W.A. won. It still held the purse strings.

Under the new agreement still another reservoir, the Keystone (or Kingsley) must be built on the North Platte river, further west than the Sutherland project, with a mammoth dam 160 feet high and one and a half miles long. This reservoir would drown out some 50 miles of railroad, 60 miles of highway and require the removal of three villages. From this reservoir, water would be released in



EWING GALLOWAY

Always unsatisfied with available service, private enterprise continues its ceaseless quest for new methods. A new plan in motor building made the first electric shaver possible

"How are we doing?"

With a veritable revolution under way at the Capitol of the nation and a general confusion and lack of knowledge as to just what is going on . . . we felt that it was vitally important to get down to Washington, get in touch with members of the Senate and the House and especially those who are members of our Public Ownership League. . . .

We did not find it so difficult to make an appointment with and meet President Roosevelt. . . .

I began by way of introduction to say that I was Secretary of the Public Ownership League of America, etc., but the President interrupted in his jovial manner, saying, "I know all about it. You are doing a wonderful work! . . .

"Tell me," said the President, "how many municipal light and power plants are we gaining per year?"

"That," we said, "is rather difficult to determine. The power companies take some away from us—we take some away from them."

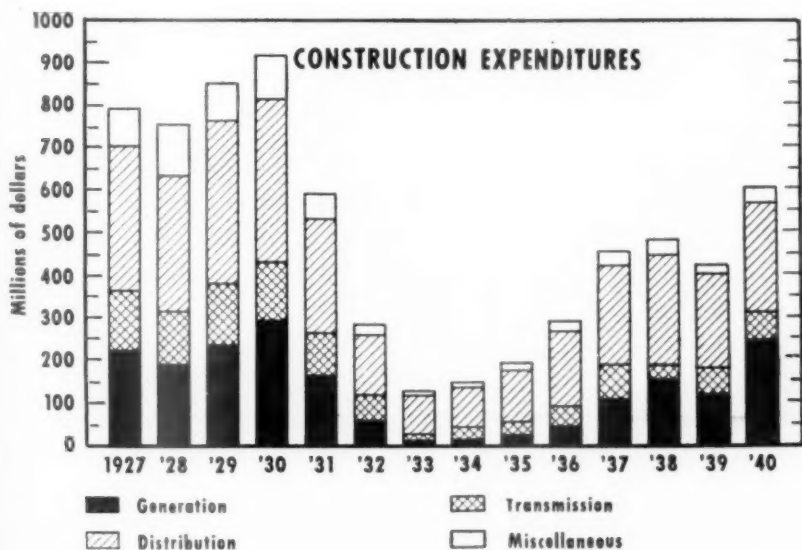
"Are we making a net gain?" the President put in.

"Oh, yes, quite certainly."

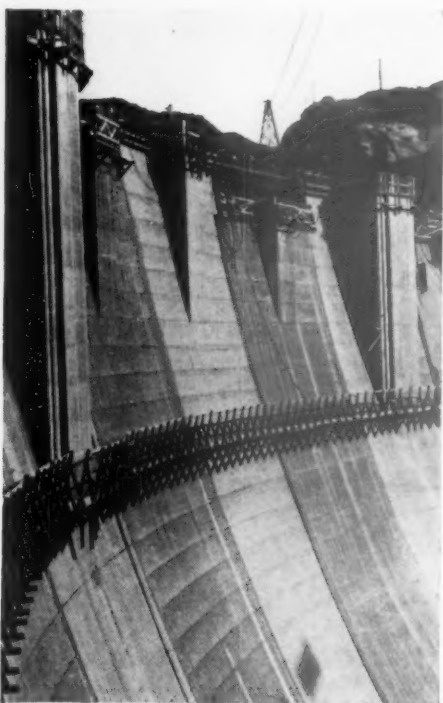
"Good," he said, in his usual vigorous and emphatic manner.

The President then asked about certain appointments for the Tennessee River Authority which is to have charge of the Muscle Shoals project—one of which he has since made. . . .

—Carl D. Thompson reports in "Public Ownership" on a visit to Washington in 1933



COURTESY ELECTRICAL WORLD



Political ownership advocates maintain that water power costs nothing but, in most cases, the cost of giant dams and machinery makes it more expensive than coal

The end is not yet

Mr. DIRKSEN: . . . On February 20, 1926, which is 14 years ago next month, there was issued to the Susquehanna Power Co. a license to build a dam, better known as the Conowingo Dam, up on the Susquehanna river. . . . To me it is rather amazing that, from 1926 to 1940, which is a period of 14 years, that power company has been before the Federal Power Commission; and the last action that is noted upon the docket of the Commission is that, on April 10, 1939, reply briefs were filed. . . . I submit to the Congress as a group of reasonable, intelligent people, is there any excuse in the whole wide world why private industry in this country should be impaled for almost 14 years before a governmental regulatory agency acts? And the end is not yet.

—Representative Dirksen, of Illinois, on the floor of the House, January, 1940

A beautiful flower

The T.V.A. is the only genuinely socialistic project in the New Deal—a beautiful flower in a garden of weeds.

—Norman Thomas

a regulated stream quite unlike the river's uncertain flow. The plan also called for some 167 miles of canals and 1,000 miles of transmission lines.

All this brought a storm of protest from private owners who already had irrigation systems which seemed certain to suffer if the stream was diverted. And state law was on the side of the prior irrigators. One of these fights, reaching the Nebraska Supreme Court in 1936, brought a decision which reduced Tri-County's irrigable acreage from 550,000 to some 200,000 acres but did not reduce its costs.

The power companies, too, were granted an injunction preventing P.W.A. from dispensing funds to the system and limiting expenditures to Sutherland and Columbus to the amounts needed to complete their original plans. This injunction continued, with minor adjustments, until the Supreme Court decision in the "Alabama Power Case" when the utilities dropped plans for a suit. In the meantime P.W.A. had recommended that the districts dissolve the joint agreement. This was done.

These three projects, under P.W.A., are, then, the publicized Nebraska state-wide power system. They have received \$20,713,000 in federal grants and \$36,678,000 in loans. The Sutherland and Columbus projects are completed.

Picture of political operation

THE FINANCIAL plight of these districts today amply justifies the adverse reports of P.W.A.'s own engineers, reports which were disregarded under political pressure. The bonds of the two completed projects are in default, to the extent of \$1,500,000. Recent congressional hearings on administrative appropriations for P.W.A. showed that the Columbus project bonds, totalling \$9,268,000, are in arrears for interest \$596,000. On \$8,776,000, the Sutherland bonds are in default to the extent of \$969,000. The same hearings give a financial statement for the operations of these districts for the first three-fourths of 1939 which shows that they not only were unable to earn interest and depreciation charges (they are exempt from taxes), but actually did not earn operating expenses. In the first nine months, the Loup deficit of operating expenses over revenue was \$49,226—this is before fixed charges of four per cent interest and two per cent for depreciation have been subtracted.

Revenues of the Sutherland Project for the first ten months ran behind expenses by \$63,933. To this deficit must be added \$438,800 for interest and depreciation.

The records of the two projects show them operating at a deficit of \$102,082 a month.

So far, obviously, the Nebraska experiment has failed. Although if and when it works, its potential output is 70 per cent of the entire power used in the state, this power cannot be sold unless local utilities are prepared to abandon their present lines and stations. Even then, about 80 per cent of the power used in Nebraska is in the eastern part of the state. Only Columbus is in this area, which means that power would have to be transmitted from 150 to 250 miles.

The only solution, then, if the projects are to get the revenues they need, seems to be to buy out all private utilities in the state. Then the financial failure of the original schemes might be hidden in the total expenses of the purchase.

The influence of the "death sentence" of the Holding Company Act on the Nebraska projects is apparent. When it became apparent that the Nebraska "Little T.V.A." would fail, strong efforts were made to buy existing private companies. One of the most frequently heard arguments in favor of this deal was the fact that the two most important companies involved were owned by holding companies which must divest themselves of ownership in compliance with the "death sentence." Negotiations for sale were concluded with one company, but the "Little T.V.A." was unable to satisfy non-political bankers that the deal would pay out and the money was not forthcoming.

P.W.A. was unable to help because, in 1938, P.W.A. had failed to get a new spending program. Instead, the President asked Congress to enact his "Spending-Lending" bill, into which was incorporated a public works program. But when Congress killed the "Spend-Lend" bill it also killed chances of passage of the P.W.A. funds—and ended the six-year federal power policy of granting 45 per cent of cost as an inducement to cities to erect competing electric plants.

At the close of the session last summer, the momentum of the federal power program had, it appeared, been broken.

Then came the European War and with it a fear that this nation would be swept in.

Soon public attention was directed toward a "power shortage" in the event of war. Dreadful pictures of a near shortage during the World War were exploited and exaggerated. Suddenly the President, by executive order, dissolved the National Defense Power Committee, and turned its functions over to a reconstituted National Power Policy Committee.

Approved Holding Company Act

UNDER the chairmanship of the Assistant Secretary of War in his statutory capacity as civilian director of industrial mobilization, the scuttled National Defense Power Committee was an agency made up of representatives of the Army, Navy, Federal Power Commission, the Securities and Exchange Commission and other federal agencies directly concerned with the relations of the federal Government with private industry. The National Defense Committee had cooperated with a committee appointed by the private industry in a study of possible weak spots in the event of war mobilization of industry.

The National Power Policy Committee had been languishing since its creation by executive order in 1934. It was remembered as having issued two impressive documents, one in favor of passage of the Holding Company Act, the other in favor of enacting the Bonneville Authority Act.

When it was reorganized, Secretary of Interior Ickes became chairman; Leland Olds, chairman of the Federal Power Commis-

Still we inspect the British grid

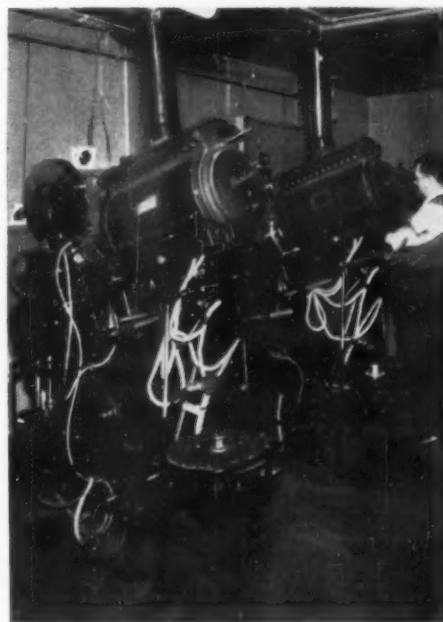
Whoever visits the United States and gets into touch, as I am doing, with the leaders of the industrial life of that great country, finds himself confronted by one indisputable fact.

This plain and striking truth is that Great Britain has already dropped so far behind the front rank of the world's technical and scientific development that nothing short of a great national effort will enable us to catch up again.

Standardization, simplicity and cheapness are the benefits that directly accrue from the large scale electrical administration of the United States. In Great Britain, on the contrary, our totally inadequate production of power is carried on under a petty and parochial system of methodless muddle.

So great a task as the reconstruction of our power supply is not, however, to be undertaken without the very best advice and guidance. We must avail ourselves of the experience of experts who have carried such projects to success in other countries. The model we should take is the United States whose power organization has proved its efficiency.

—Harold Sidney Harmsworth,
publisher of the London Daily Mail, 1925



ERING GALLOWAY

To towns where the only dramatic fare was once the ten, twenty, thirty cent melodrama, the industry has brought the finest talent and comfortable theaters at little increase of price

Helping Mr. Ickes

Second Message to Members
and Friends of the Public
Ownership League:

Since writing you last Wednesday, June 21, I have had a long-distance conversation with Harold Ickes, Secretary of the Interior, and learn that matters have been held in abeyance and plans somewhat changed.

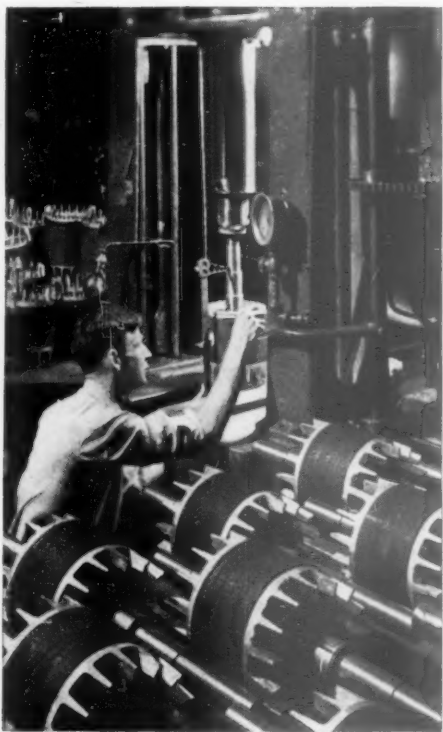
Mr. Ickes tells me that there will be no regional directors. The state directors will be appointed by the President.

He also suggests that we send direct to him any protests that we may have against the appointment of men that are being proposed for state directors and also any suggestions as to the men that we think ought to be appointed. So address your protests and your nominations and suggestions direct to Harold Ickes, Secretary of the Interior, Washington, D. C.

Let us know of your actions and we will support and cooperate with you in every possible way.

Cordially yours,
(signed) Carl D. Thompson
Secretary

—Letter regarding appointment of
regional directors under N.I.R.A.



New machines are constantly developed and built. When they go into service, 48,000,000 horsepower is waiting to operate them

WESTINGHOUSE

sion, became vice chairman, while executive heads of the Bonneville Administration, T.V.A., the R.E.A., the S.E.C. and the assistant Secretary of War constituted its membership. The Navy was ignored. With one or two exceptions, members of the new committee are ardent advocates of political ownership.

The committee's apparent objective was to discover, if possible, facts and figures to justify construction of a gigantic grid system to tie in all public and private plants in the East. From the standpoint of engineering and of economics such a program can't help but be a duplication of existing facilities without value in economy and service. From the viewpoint of political control of the power companies and, through them, the industries they serve, such a scheme is ideal.

Months of study, in which the industry has cooperated fully, have brought to light no justification for such a grid.

These political excursions into the field of electric power demonstrate that the advantages which politicians promise are seldom forthcoming. The lower rates which almost always result and to which the political ownership forces point so triumphantly are universally made possible by subsidies paid by the taxpayers. The projects provide neither efficient power production nor the other public benefits which are used as convenient pegs on which to hang the power projects.

The only change has been a considerable march in the direction of socialization.

Everybody shares the cost

THIS has been accomplished at the expense, not only of the power industry, its investors and consumers, but of many other industries, all of which employ men, pay taxes and might, unhampered, contribute far more to national progress than political control can ever do.

Sometimes it is argued that the power industry has been stimulated rather than injured by the incursions of the federal Government and glowing statistics of gross revenues are produced to sustain the point. It is true that the volume of consumption has risen in the past three years far above the 1929 peak and that operating revenues are higher. But what the apologists for the federal power program do not produce is the record of new investment in the power industry.

Public utilities are nearly unique in that their capital turnover ranges from seven to nine years (relation of revenues to invested capital). In fact, 37 per cent of their operating expenses are, as a rule, the cost of capital. As publicly regulated monopolies they must, perforce, meet all demands for service; and as demands for service have increased in recent years, electric utilities have been unable to find new capital for investment in new facilities. Money from reserves and from revenues which should otherwise have gone to the investor-owners as dividends was used in construction. Investors in the common stocks of private utilities have been on a "starvation diet" for seven years. Some operating companies far

from actual federal competition have been able to refinance some of their underlying securities, bonds and preferred stocks. But the average investment in new capital over the six year period, 1933 to 1938 inclusive, had shrunk to \$50,000,000 annually as compared to the ten year average—1923-1932—of \$638,000,000 annually. These startling figures are never cited by those who seek to show the "benefits" of federal competition and regulation.

Moreover, the industry's expenditures for new construction totalled only \$473,000,000 in 1939. They were \$482,000,000 in 1938 and \$455,000,000 in 1937. Before 1932 they had not fallen below \$600,000,000 for ten years and had climbed as high as \$900,000,000. Part of this reduction was due to management's uncertainty as to what the future held; part was due to investors' unwillingness to put money into an industry so constantly under attack; part was due to restrictions that made new financing impossible anyway. The result was less work for wage earners, not only in the industry but in trades which supply it.

A moment of peace

AT THE MOMENT the attack seems to have subsided although a bill providing for government operation, not only of the electric industry but of the coal, oil and natural gas industries as well, has recently been introduced in Congress by Representative Coffee of Washington.

This measure would create a National Natural Resources Corporation with five members appointed by the President with Senate consent.

One member, designated as chairman, would receive a salary of \$15,000 a year. The others would get \$10,000.

These men would "regard themselves as trustees of the public interest" and would be "instructed to manage the coal, oil, electrical energy and natural gas industries of the United States strictly as a business undertaking for the benefit of the nation as a whole without regard to party considerations, but shall not attempt to make a profit for the Government." The bill provides methods for taking the companies over from their private owners, preferably by negotiation, at a price "neither more nor less than the fair value of the securities."

This measure has been referred to the Committee on Ways and Means. Furthermore, experience indicates that other bills, once defeated, are sleeping rather than dead.

Muscle Shoals demonstrates the remarkable recuperative powers of political ownership measures. At any moment the taxpayer may find the Seven T.V.A.'s, or any of a half dozen undiscouraged socialistic power schemes, knocking at his door again, disguised as some beneficent plan for lifting somebody's burdens.

It may be that the taxpayers will be glad to see them. Perhaps the American citizen has at last come to agree with the political ownership advocates that the American system has failed.

He may agree that the time has come when we should take all property—and this must eventually include his own—away from the enterprisers and give it into the care of politicians who will use



This washing machine is not old as counted by years. It seems primitive now because the rapid progress of the industry has made better ones available much cheaper

Not advisable

The Board, therefore, is of the opinion that the improvement of the Platte river, in Colorado, Wyoming and Nebraska, for navigation in connection with power development, the control of floods, or for the needs of irrigation, or any combination thereof, is not advisable at the present time.

—From the Report of the Board of Engineers for Rivers and Harbors, U. S. Army, 1933

They'll be back

There are a dozen other sites which, if in 15 years from now we run short of power, could be utilized and we could come back (to Congress) and ask, "What about these?" . . . Twenty or 30 dams would be required to completely develop the resources of the Tennessee river.

—Arthur E. Morgan, T.V.A. Chairman, before House Military Affairs Committee, May, 1934



Because electricity brought artificial daylight, the poor, deluded hen sometimes attends to her production chores at midnight

Enforcing inefficiency

While steam plants constitute 40 per cent of the capacity of the southeastern companies, these steam plants have been practically idle for the past few years because these companies, at the request of the Government, have shut down the steam plants and purchased power from Wilson Dam, paying the Government the amount equal to what it would have cost them to generate power in their own plants.

—Wendell Willkie, President, the Commonwealth and Southern Corporation

it in accordance with a national "plan" for the best welfare of all. If he agrees to this, he presumably must also believe that we would be better off today if we had had a planning commission to guide us since 1876; that such a commission, viewing the dynamo at the Philadelphia Centennial and, later, Edison's incandescent bulb, could have sat down and said:

"Here is a new thing. We must guide its development so that, one day, it will be available for the service of everyone. We must guide it so that every year it will become cheaper and cheaper. We must keep scientists and technicians at work finding new uses, improving methods. It must be used for transportation, for light, power, heat, entertainment; it must go into the home, the mill, the mine to lift human burdens. We must apply it properly so that it may cool us in summer and help us operate our furnaces in winter. And, above all, it must contribute to the revenues of government tremendous sums, equalling the amounts it pays its workers."

That is the plan which was actually in the making in 1876 when the crowds at the Exposition saw an interesting novelty and passed on to see the Corliss steam engine. It is the plan that is in effect today.

But, had Government had the power to take over this new thing when it was born, had there been a planning commission with sufficient wisdom to have visualized the tremendous growth the future held in store, how would the public have accepted its predictions?

Perhaps it would have listened. More likely it would have laughed at these visionaries and demanded the appointment of more practical men to its planning board.

Laws can't bring progress

AND THE public would have been right. Unfortunately Government cannot, by edict, create an Edison or a Brush or a Westinghouse. Nor can a politician, or anyone else, view the thousands of new inventions turned out each year by hopeful experimenters and select those which will one day employ men, lighten burdens and raise the standards of living. Only the market place can do that. There, where the buyer can examine the wares of a score of applicants and select the product or service that best suits his desires, is where higher standards of living are made because each seller must strive to improve his product, to give greater value, if he hopes to retain his place.

In the United States we have had that. Any man with an idea has been permitted to attempt to find backers, to attempt to interest customers by any proper means. This competition has made this country great.

It is true that this system sometimes leads to mistakes but they are balanced by brilliant contributions. It is true, too, that some men take advantage of liberty to do dishonest things, but, in the long run, in a system of free competition, uneconomic practices defeat themselves. No one returns often to a seller who insists on giving short measure.

Certainly the record shows that the light and power industry has not given short measure. Permitted freedom of action under state

regulation, it has extended its lines to a thousand fields not dreamed of in 1882. Companies might be permitted monopoly under regulation but men strove always to reach the top; and, under the American system of free enterprise they knew they must reach the top by ability and effort alone—political pull could not help them. To help themselves they had to help their industry and thus help the consumers.

This urge is lacking under political domination as Dr. James Mavor pointed out in his book, "Niagara in Politics."

"For more than 50 years," he wrote, "every observant tourist who found his way to Niagara Falls has been impressed by the vigorous industrial development on the American side and the complete absence of any such development on the Canadian side of the Falls.

"While some of the reasons for this difference lie in the general economic history of the respective countries, importance must be attached to a difference in the attitude of the people of the two countries, especially during the period of the great development on the American side.

"In the United States the presumption was strongly in favor of private enterprise, up till recent years even of unrestricted private enterprise. In Ontario during more than 25 years positively and during a longer period incipiently, the presumption has been against private enterprise. The consequences of these divergent attitudes are seen in the industrial development of the New York side and the absence of it on the Ontario side."

Dr. Mavor was a Canadian and, ironically enough, even while he was calling attention to these facts, the Ontario plan of political electrical development was being urged upon the people of this country.

It and similar plans are being urged today and, if the citizens believe we should try them, the Constitution gives them the power to make the change.



Federally supported power projects: 1. T.V.A.; 2. Ft. Peck; 3. Bonneville; 4. Denison; 5. Boulder Dam; 6. Kendrick; 7. Central Valley; 8. Colorado, Big Thompson; 9. Grand Coulee; 10. Sutherland; 11. Columbus; 12. Tri-County; 13. Grand River; 14. Santee-Cooper; 15. Lower Colorado River Authority; 16. Brazos.



GUY BARTLETT

Under private enterprise, Thomas A. Edison (seated) and Charles Steinmetz were given opportunity to carry on their researches. Could they have won the same opportunity had the industry been under a control which rewarded political strength rather than scientific knowledge?

At half the cost

A dam is not an isolated structure or operating unit, but part of a unified development of a water system with power produced at half the cost of unorganized development, and with valuable by-products in flood control and navigation.

—John B. Blandford, Jr., Assistant Chairman of T.V.A., in a national radio broadcast

Nobody gains

It does not appear from the record that the rates at which the power is to be sold to the Tennessee Electric Power Company by the T.V.A. will result in any advantage to the customers of the Tennessee Electric Power Company, to the general public or to said company, since the company, according to the overwhelming testimony of all witnesses, can generate power cheaper than it can purchase it under any rate proposed for the power needs as stated by witnesses for the company, which witnesses certainly should best know the anticipated power requirements.

—From the decision of the
Tennessee Public Utilities Commission

Nothing but a label

False accusations against the electric light and power companies have been facilitated by the use of the "Power Trust" label, though nobody has attempted to define the "Power Trust," much less point out in what manner the anti-trust laws are being violated, so that the Department of Justice, which has brought many anti-trust prosecutions recently, might proceed against the companies that are stigmatized by this label whose originators knew it was absolutely false.

—From an editorial in the
Journal of Commerce, 1931

It depends on the point of view

If we assume that this act was primarily for navigation, then it would be valid. But if we determine that this Act, while stating that it is for navigation, national defense, and flood control, is actually for the purpose of developing power and selling it commercially, the Act would be invalid.

—Solicitor General Stanley Reed,
before the U. S. Supreme Court

Strategy

The task of the politician is to enforce the unpalatable by the aid of the palatable.

—Machiavelli

But, if they actually want this change it seems unreasonable that the advocates of political ownership should have to camouflage their schemes as they have found it necessary to do. With public support, it would surely be possible for them to step boldly forth and say, "we are going to socialize the power industry."

The fact that they have not found it possible to do this indicates that the majority of Americans still prefer, as they have in the past, to let their advancing standard of living depend upon the normal give and take of the market place rather than the whims of political officials.

If that is their view they must remember that a market place, like a people, cannot exist "half slave and half free." Either private enterprise must be free—under sensible regulation, of course—to manage the country's business or the management must be turned over to politics.

The choice lies with the citizens.



DOUGLAS FROM GENDREAU

Washington and Your Business

Rebuff to An Ambassador

AMBASSADOR William C. Bullitt in Paris has been on the telephone almost nightly to President Roosevelt. The telephone number of the White House closely resembles that of a resident of the city and several times the resident has been called when the President was wanted. This has irked the householder, especially as he happens not to be a New Dealer. The other night the bell rang and a sweet voice said:

"The White House? Mr. Bullitt calling from Paris."
Before going back to bed the householder replied:
"Tell him there's nobody home."

Seven Men on Several Horses

SCORES of men have more or less frequent entrée to the White House and are looked upon by the public as policy-shapers and advice-givers, but the best opinion is that only seven of them really count. Bullitt is the actual chief of the foreign service.

Harry Hopkins is the President's most intimate friend and is listened to on social service. Corcoran and Cohen are the idea men, enthusiasts on political matters and writers of cunning laws. Leon Henderson of the S.E.C. and Attorney General Robert H. Jackson gather burrs to put under the business saddle. Eccles is the financial adviser and friend of the spenders. All others just sing in the choir.

Speaking of Moley Et Al.

ONE of the commentators responsible for the summary above noted the high mortality among previous advisers:

"All, all are gone, the old familiar faces." They go just as soon as they get too familiar, he added.

Fond Hope to Save N.L.R.B.

TIP is that the free-for-all in the N.L.R. Board may be ended by an agreement to throw controversies over collective bargaining back to the units where they belong.

It is now conceded that Congress did not intentionally give the Board authority to determine whether labor should organize along craft or industrial lines or a combination of the two, but Congress did actually do that very thing.

The Board hopes that by passing the buck to the unions it may be possible to escape the threatened amendment of the law.

Frankfurter Has Pointed the Way

OPINION is that the decision of the Supreme Court in the "Pottsville case," in which the Federal Communications Commission won a complete victory, and which was written by Justice Frankfurter, practically compels the amendment of many of the laws under which independent agencies operate, and of which the N.L.R.B. is perhaps the most conspicuous.

In overruling the Court of Appeals this language was used:

Courts are not charged with general guardianship against all potential mischief in complicated tasks of government.

Congress, which creates and sustains these agencies, must be trusted to correct whatever defects experience may reveal.

Boosts Logan-Walter Bill

MANY congressmen feel that the High Court's decision is an argument in favor of the pending Logan-Walter bill, which seeks to simplify the processes by which the legality of agency actions may be tested, and which is being bitterly fought by the Corcoran-Cohen galaxy.

Otherwise—still quoting Justice Frankfurter—"a succession of single determinations upon single legal issues is possible with resulting delays and hardship to the applicant."

It's up to Congress to say what it means when it makes a law.

Wage-Hour Law for Revision

CONGRESS is, for example, finding the wage-hour Act very much in its hair. Report is that every member of both Houses has at least one complaint about the ambiguities and tyrannies of this law on his desk.

No one seems to doubt that it will be thoroughly rewritten in the light of experience, although no one will say when.

One Way to Solve Problem

CONTINUING this thought, it may be noted that a Washington correspondent has been battling with the pundits of the Unemployment Compensation Division (Soc. Sec.) about the U.C. tax to be paid on account of his colored office boy.

The correspondent insists the home office should pay and the U.C. Division says the boy is the correspondent's personal messenger.

"I know how I'll settle this," barked the angry correspondent on his fifth return. "I'll fire him."

"Fine," replied the U.C. "That will settle everything very nicely." He began to stack up his papers. Every one was pleased but the boy.

More Water for Chi's Sewer

PRESENT opinion is that the St. Lawrence power and waterway treaty will not be ratified at this session. There is a noticeable coldness toward a scheme which calls for another \$1,000,000,000 just now, whether or not it is a good scheme. If it is ratified more fresh water will be turned into Chicago's drainage canal, and "you can lay to that" as Long John Silver said. Chicago, in fact, proposes to get more water whether the treaty is ratified or not.

Ashburn Might Tell a Story

ONE of the angles in the treaty situation is that, to defend the seaway feature in the treaty, the Department of Commerce will be asked to tell all about the Inland Waterways Corporation, which was taken under its wing through the reorganization bill. In self-defense it is understood the Department will charge Gen. T. Q. Ashburn—recently eliminated by way of the window—with extravagance. Ashburn will fight back, and can, if he will,

present a comprehensive picture of tax costs which has never entered into his past accountings.

Bad News for Press Agents

REPRESENTATIVE J. Parnell Thomas of New Jersey proposes to revive the inquiry into the Administration's press agencies, which made a stir in 1938 and died because Congress was too busy to give it time. He has amazing figures on the number of press agents, the trainloads of press releases that are sent out, the cost to the Post Office Department, and the salary totals. All this in defiance of the law of October 12, 1913, forbidding the employment of press agents by executive departments except with specific authorization by Congress.

U. S. Industry Takes a Bow

NOT quite a year ago Assistant Secretary of War Johnson called in President Knudsen of General Motors.

"We're going to need more airplane motors," said he. "I'd like you to get ready to make them. I cannot promise you anything except that if Congress gives us the money we'll buy the motors."

"That isn't a business proposition," said Mr. Knudsen.

"I know it. But we'll need the motors."

"What have other manufacturers said when you put such a proposition up to them?"

"They have said 'yes,' 100 per cent."

"I'll do it," said Knudsen.

So a \$10,000,000 factory has been built in Indianapolis.

Little More on the Cuff

INFORMATION is that ground is being prepared for a request for credits by the Allies. The propaganda is not aggressive as yet, but it is growing. Argument is that friends of the Allies should be permitted to subscribe to bond issues for specific purposes, such as buying machine guns or airplanes, even if more general issues are ruled out. As yet Congress is not receptive.

Small Purge in T.N.E.C.

LATEST is that Leon Henderson, loud, forceful and unpressed, has partially liquidated Senator O'Mahoney in the T.N.E.C. O'Mahoney has insisted that he does not want to interfere with the management of insurance companies, but only wishes to set up laws and see that they are enforced. Henderson wants to go farther and inside story is that he will have his way.

Hanes Held on for a Time

THE O'Mahoney-Henderson disagreement recalls that the story goes that Edward Noble will drop out as Undersecretary of Commerce. No confirmation as yet. May be quite without foundation. Hanes held on in the Treasury for months after the first story was heard that he was about to get out. Noble is a conservative and seems to have the confidence of business men, but the Industrial Economics Division has Secretary Hopkins' confidence, and is opposing Noble. At least meddling with him. It is formulating a big program for industrial control and hopes to be residuary legatee of T.N.E.C.

Economy Pot Is Purring

"A TEAPOT coming to a boil," said a congressman of 20-odd years' experience, "kind of purrs to itself long before you can see any steam." He thinks the economy pot is only purring at this time, and that no marked savings will be made by the present Congress. It would not surprise him

to see the total of expenditures lifted a little. But he thinks the \$45,000,000,000 debt limit will not be raised and, this being an election year and tough undertones being already heard in *vox populi*, he thinks no new taxes will be imposed.

Acid Is the Word for It

THERE is an excellent chance that Congress will hush that importunate noise in Tennessee by ordering that the state, counties, and other subdivisions shall be paid on account of the T.V.A. sums equal to the taxes paid by the privately owned utilities before the T.V.A. swamped them. The pretty part is that Congress may order these sums paid from the national treasury, and not by T.V.A. In this way T.V.A. can still show a low operating cost and no one will be stuck except the general taxpayer. But there is acid in the cup for all that.

P. O. Eloquents Are on the Spot

THERE is at least a strong probability that out of the T.V.A. tax shakedown of Johnny Appleseed—he's the stoop shouldered old gentleman who plants the orchards in which these lovely tax apples are grown—will come an honest, factual, fair-minded inquiry into the tax losses the country has sustained because of the publicly owned hydro-electric plant program. Gore of West Virginia, who seems to be something of a ball of fire, has been suggested as a chief questioner. Norris of Nebraska will die a thousand deaths before permitting any such inquiry to be ordered. But the sour smell in the vicinity of his Little T.V.A. in Nebraska has not been to his advantage.

R.E.A. and its Bookkeepers

ANOTHER feather flying in the faint breeze which may become a wind of economy is the practical certainty that the Rural Electrification Administration will be asked to show its books. No congressman in an election year is likely to attack any bureau which farmers may favor. Therefore the inquiry—if and when—will be dunked in the milk of kindness. But it appears that about one-fourth of the R.E.A. borrowers are in default, and that, of the 687 R.E.A. borrowers, only one in five is a going concern. Something of this was brought out in the committee hearings, but more light is wanted and the R.E.A. seems to be short on book-kept facts.

"Keep Out" Talk Swells

GUESS is that Congress will not favor a Japanese embargo or any other action which might swing us nearer to war. Popular opinion, as assessed on The Hill, is in favor of letting other nations settle their own troubles on their own grounds. But there is real fear that something might happen which would push us in. This is one reason for the belief held by many that Congress will not adjourn before July. When it is in session it has at least a chance to delay or soften action.

It's Quaint, That's All

SOME time ago the Internal Revenue Bureau broke up its examining division in Washington and dispersed the examiners among ten field districts. The good idea was to soften up the taxpayer's hard luck by permitting him to make his complaint to an examiner at home and save him a trip to Washington.

Here's the funny part.

The courts in the ten districts may rule on ten cases, on ten identical statements of fact, in ten different ways. The taxpayer in New York might have a photograph of



THEY'VE JUST SAVED THE PUBLIC ANOTHER MILLION DOLLARS

(and not even their secretaries know about it!)

LAST YEAR American industry invested more than \$250,000,000 to improve its products, to lower prices. Yet many companies didn't get the credit they were entitled to—simply because they didn't let the public in on the secret.

Most people will admit that research is a good thing—for the manufacturer. What they may not realize is that they, as consumers, stand to benefit even more than the manufacturer who pays the bill.

How much do people know about the work *your* company's research men are doing?

Public-relations advertising can help you, not only to keep people informed about your research activities, but about your price policies, your employee-relations, your sales methods—everything that can make people want to buy *your* company's product in preference to others.

Almost every big company today has a public-relations job to do. And the companies that are doing that job through advertising last year invested more of their budget in Curtis magazines than in all others combined. They have found that such advertising pays for itself, not only by building company goodwill, but by increasing sales as well.

THE CURTIS PUBLISHING COMPANY

THE SATURDAY EVENING POST LADIES' HOME JOURNAL
COUNTRY GENTLEMAN

Alcatraz shaken before his eyes, and his identical twin in Seattle might get a rebate. The I.R.B. wants all cases tried before the D.C. courts, in which the line of precedent is followed.

Turn in Your Savings Book

IN a meeting of the Senate Banking and Currency Committee, Senator Sherman Downey of California—he's the ham-and-eggs statesman—proposed that a subcommittee be named to study means and methods for putting the idle savings funds of individuals to work. It was just a proposition and not a resolution. This corner is informed, however, that Chairman Wagner proposes to name such a subcommittee. The only way federal authority could direct the employment of the individual savings is through compulsion. This department would dearly like to have a record of the remarks of Mrs. Maria Bacigalupi of Broome Street when she learns that her savings are to be taken for the construction of Senator Downey's cross-continent toll roads.

More Light on the Agencies

asked "what funds?" The Budget refused to say. The Senate adopted Byrd's resolution directing the Treasury to supply this information. The Treasury worked out a report. It gave only book values, for that is what it deals in. The Comptroller General will be directed to go through the book values and find out what they are worth. This will not irritate the auditors in the C.G.'s office. They have been aching for years to do that very thing.

Entering Realm of Prophecy

no one suspects that anything will be done about it. No one punished. No one reprimanded. No appropriations voided. Conclusion is that the several hundred tons of non-monetized silver will be marked up to the legal value of \$1.29 an ounce and all will be happy again.

A Split in Labor's Ranks

of John's neighbors had their coal-burning furnaces yanked out and oil burners substituted. The handy man had been the only reliable furnace tender the neighborhood had ever found. It is understood that Mr. Lewis almost hid under his eyebrows when he learned this.

Riding in All Directions

man's criticisms of subsidized waterways are not being well received. This is especially the case at this time, for without tax-supported ship channels the St. Lawrence project could not hope for support in the Middle West. The railroads are pointing out that neither the St. Lawrence channel nor the proposed Lake Erie-Ohio River Canal could operate in the winter. So the canals would get the fat business of the summer and the roads would handle all the winter freight, which is normally carried at a loss.

THE Budget Bureau said \$700,000,000 "surplus" funds could be recovered from the federal lending agencies, for free spending purposes. Senator Byrd of Virginia

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THE statute-fixed debt limit of the Government is \$45,000,000,000. The betting on Capitol Hill is that this limit will be considerably overstepped by Congress. In which case

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JOHN L. LEWIS, boss of the United Mine Workers, needed a night watchman at his lovely old home in Alexandria, and hired the neighborhood handy man. Whereupon seven

of John's neighbors had their coal-burning furnaces yanked out and oil burners substituted. The handy man had been the only reliable furnace tender the neighborhood had ever found. It is understood that Mr. Lewis almost hid under his eyebrows when he learned this.

TARDY light is being thrown on the delay in the reappointment of Joseph C. Eastman to the I.C.C. when his term ended some months ago. It is evident that Mr. East-

man's criticisms of subsidized waterways are not being well received. This is especially the case at this time, for without tax-supported ship channels the St. Lawrence project could not hope for support in the Middle West. The railroads are pointing out that neither the St. Lawrence channel nor the proposed Lake Erie-Ohio River Canal could operate in the winter. So the canals would get the fat business of the summer and the roads would handle all the winter freight, which is normally carried at a loss.

Getting Ready for Floods

special emergency radio transmitting stations had been issued to the company. The equipment can be loaded on trucks or motorboats and should prove of immense value when the spring floods come. Complementary information is that the combination of leased wire telegraph circuits and the nearly 1,200 police radio stations "makes possible the exchange of information about crime and criminals between practically every center of population in the U. S."

Back-fire in Patman's Gun

January more than a dozen nation-wide associations—canners, dry goods, farmers, publishers, etc.—have adopted resolutions opposing legislation "which might curtail freedom of business opportunity for any American enterprise" through "unjust, discriminatory and punitive taxation." These resolutions will ultimately get to the T.N.E.C. It is also at least possible that the Patman bill will reach the floor of the House. Not likely it will get farther.

States Must Pay Share

next year—with this important modification. The states must pay their share. Under the economy bloc's pressure Congress is getting cagy with the gravy bowl.

Another of the "Ifly" Things

has been shown to be.

"Sing, Sucker," or Get Yours

though it is doubtful if the first census in 1790 had anything about hydraulic toilets, used either (a) jointly, or (b) severally. The Bureau says the fears that census-takers may squawk to the sewing circle are groundless, because more census-takers have been prosecuted for gossiping than the census-taken have been for shutting the door in the official faces. Just what relief the householder can get out of that is a mystery. If the householder does not tell all and tell it truthfully he may draw all the way up to a \$100 fine and a year in the cellar. It is the Industrial Economics Division of the Department of Commerce, headed by young Professor Gilbert, which wants to get the dope on our wives, children, debts and what not before it goes to the Recording Angel.

Herbert Corey

ALMOST coincidentally with its request for money with which to undertake an investigation of the Long Lines Division of the A. T. & T. the F.C.C. noted that licences for

special emergency radio transmitting stations had been issued to the company. The equipment can be loaded on trucks or motorboats and should prove of immense value when the spring floods come. Complementary information is that the combination of leased wire telegraph circuits and the nearly 1,200 police radio stations "makes possible the exchange of information about crime and criminals between practically every center of population in the U. S."

INDICATIONS are that Representative Patman's tax-out-the-chain-store bill—now before the House Ways and Means committee—has had unexpected repercussions. In

January more than a dozen nation-wide associations—canners, dry goods, farmers, publishers, etc.—have adopted resolutions opposing legislation "which might curtail freedom of business opportunity for any American enterprise" through "unjust, discriminatory and punitive taxation." These resolutions will ultimately get to the T.N.E.C. It is also at least possible that the Patman bill will reach the floor of the House. Not likely it will get farther.

INDICATIONS are that the Administration's suggestion that money be appropriated for the construction and maintenance of small hospitals in rural districts will go through—

next year—with this important modification. The states must pay their share. Under the economy bloc's pressure Congress is getting cagy with the gravy bowl.

NOT likely that an investigation of the S.E.C., its men, acts and motives, will be ordered this winter. But in informed circles it is believed that the possibility that an

inquiry might be voted by Congress will tend to dampen down the S.E.C.'s fires. The critics of the S.E.C. assert that in some respects it is as vulnerable as the N.L.R.B. has been shown to be.

THE census bureau grieves over the congressional attacks made on the census taking which will start on All Fools' Day. It says that every question has been previously asked, al-

though it is doubtful if the first census in 1790 had anything about hydraulic toilets, used either (a) jointly, or (b) severally. The Bureau says the fears that census-takers may squawk to the sewing circle are groundless, because more census-takers have been prosecuted for gossiping than the census-taken have been for shutting the door in the official faces. Just what relief the householder can get out of that is a mystery. If the householder does not tell all and tell it truthfully he may draw all the way up to a \$100 fine and a year in the cellar. It is the Industrial Economics Division of the Department of Commerce, headed by young Professor Gilbert, which wants to get the dope on our wives, children, debts and what not before it goes to the Recording Angel.

*"This run was tough
before we got a FORD"*



The truck driver is one person who really knows trucks . . . what they're made of . . . how they'll act on the road. He knows he can ask a lot of a Ford, and the Ford will give him the kind of service he wants. The extra quality and finer materials that go into it really mean improved performance and economy.

The Ford is the only truck that offers the smooth, steady flow of eight-cylinder power. There is a choice of three V-8 engines in 1940—95, 85 and 60 hp. There are 6 wheelbases, 42 body and chassis types. The Ford Truck can now handle well over 95% of all hauling and delivery work.

Many new improvements have gone into the Ford Truck this year. And there are many more features that have been tested and proved in more than four million Ford Trucks. Together they offer the rugged dependability that makes owners agree it's "the outstanding truck for the money."

You're invited to see the 1940 Ford Truck at your dealer's. Compare it feature by feature with any other truck at any price. Arrange for an actual "on-the-job" test so that you can know the difference Ford quality and Ford economy make before you spend another truck dollar.

FORD MOTOR COMPANY, BUILDERS OF FORD V-8 AND MERCURY CARS, FORD TRUCKS, COMMERCIAL CARS, STATION WAGONS AND TRANSIT BUSES



FORD TRUCK FEATURES FOR 1940

- Choice of three V-8 engines—95, 85 and 60 hp
- Five body types—Stake, Platform, Pick-Up, Panel and Sedan Delivery
- Semi-centrifugal clutch
- Sealed-Beam Headlamps
- Full torque-tube and radius-rod drive
- ¾-floating rear axle
- Worm and roller steering
- Finger-Tip Gearshift
- Needle-roller-bearing universal joints
- Straddle-mounted driving pinion—ring-gear thrust plate
- Ford Engine, Parts Exchange Plan

Heard in the Market Place

Packages of Glamour . . . Much Ado About Chains . . . "Unfair to Consumers"

Package redesigning is a frequent stroke of strategy to capture more allure for manufactured products. Containers soon become obsolete in the present double-quick marketing parade. Styles change, products evolve into new forms, and federal and state regulations require label changes. All this and much more is told graphically in "100 Packaging Case Histories," compiled by Albert Q. Maisel, editor of *Modern Packaging*.

Armour's chili con carne is one of the cases. A new label with an illustration of chili and the one word, "Real," are said to have been a big factor in an immediate sales pick-up in this item. In five years, sales have been increased by 600 per cent. The addition of illustrations is the most common change among the 100. About the only instance where an illustration was replaced with a plain typographical design is "No-Run Hosiery Saver," a washing powder for hosiery made by Schneider Laboratories. The old package had a picture of a fair young thing in undress and displaying an expanse of well filled stockings. Introduction of the new label was accompanied by a 30 per cent sales increase. Apparently the Schneider people discovered that feminine sex appeal does not induce women to buy.

Among the other changes, some were from tin to glass containers, from glass to tin, from paper to cartons, from jars and bottles to tubes. One of the most original is an octagonal carton for Goodrich garden hose, with a flower design on the cover.



Purchasing at wholesale for its employees has been discontinued by the Pennsylvania Railroad, says *Retail Ledger*. The action was taken at the request of an Altoona, Pa., department store. An annual business of nearly \$15,000,000 in merchandise formerly purchased from manufacturers and wholesalers is thus returned to regular retail channels. Such news is pleasing to the National Retail Furniture Association, which has been engaged in a campaign to end this practice. The National Retail Dry Goods Association is another trade group fighting

all forms of wholesale-retail selling. A speaker at its New York convention went so far as to recommend that stores refuse to handle national brands that are re-tailed at "wholesale."

According to Consumers Union, advertising is largely waste and deception. But *Sales Management* seems to have the



last word when it computes that C. U. during its last fiscal year advertised at a rate 472 per cent higher in proportion to sales than did the California Fruit Growers Exchange in promoting Sunkist brand citrus fruits. Sunkist is typical of those conspicuous advertisers at whom C. U. has been shooting.

The merry war between chains and independents goes on with much furious bombardment from both sides. A heavy broadside is provided by a new book, "The Chain Store Tells Its Story," written by John P. Nichols and published by the Institute of Distribution. The author examines a frequent claim that independent merchants are being forced out of business by the chains and comes to the conclusion, based on surveys conducted in 17 states and municipalities, that the predominant cause of failures by independent merchants is not competition in any form.

These studies of the records of bankruptcy courts, credit associations, R. G. Dun & Co., and others, show that, when retailers fail, it is generally owing to personal characteristics and operating methods, says Mr. Nichols. He finds no evidence that the growth of chain stores in a community has much to do with the mortality rate among its local merchants.

The A. & P. Company has brought out its own brand of vegetable shortening (Dexo) to compete with such well established products as Procter & Gamble's "Crisco" and Lever Brothers' "Spry." This continued tendency of the large chains toward private brand merchandising is attacked by some of the independent retailer organizations as a form of corporate

concentration and a threat to the small manufacturer.

J. Frank Grimes, president of the Independent Grocers Alliance, makes this contention. In his view, when a chain acquires control of a factory it means that brokers, independently owned truck lines and others suffer, as well as competing independent manufacturers. But he admits that the claim of lower prices to consumers made possible by this form of concentration could be substantiated.

Do "fair trade" regulations make prices higher to consumers? The answer seems definitely in the affirmative on the basis of comparative prices compiled by Associated Grocery Manufacturers of America. Ohio figures under "fair trade" retailing are compared with those for the same commodities in states that have no legislation of this sort. The difference ranges from 12 to 47 per cent.

Product	Ohio Minimum	Elsewhere
Crisco, 3 lb.	51c	45c
Spry, 1 lb.	18c	15½c
Rinso, large	20c	17½c
Camay soap, 3 for	16c	9c
Oxydol, large	20c	16c
Kraft cheese, 2 lb.	43c	39c
Kellogg shredded wheat, 3 for	28c	25c
Maxwell House coffee	26c	19c
Jell-O, 3 for	14c	10c
Swans Down cake flour	21c	19c

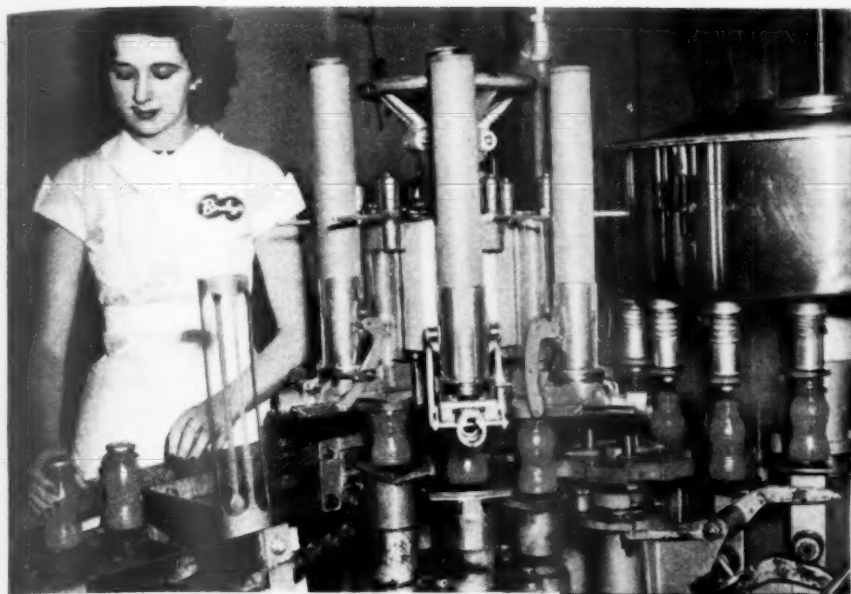
Milk in larger bottles—two- and four-quart—at a saving of from two to three and one-half cents a quart is the answer of two large Chicago dairies to the agitation for lower milk prices and to cut-rate, cash-and-carry milk. The two-quart con-



tainer is being offered to consumers in "sample" areas at 22 cents, and the four-quart at 38 cents, compared with 13 cents in the regular quarts. First tested in the suburbs, the idea is now being given a trial on city routes. The New York plan of Borden and National Dairy for delivery in paper cartons is held as contrary to the Chicago code.

Dairies in St. Louis and Los Angeles preceded Chicago in adopting the larger glass containers. After a year's trial in St. Louis they are credited with having effected a general increase of five per cent in milk consumption. The economy in these larger sizes of course comes from every-other-day delivery, and that is the principal consideration in the paper container plan as well—not in the type of container. The unit cost of delivering milk to the home is fixed and constant, say the dairymen, and can be reduced only as the number of deliveries to the individual customer is reduced, and as consumption is increased.—FRED DEARMOND

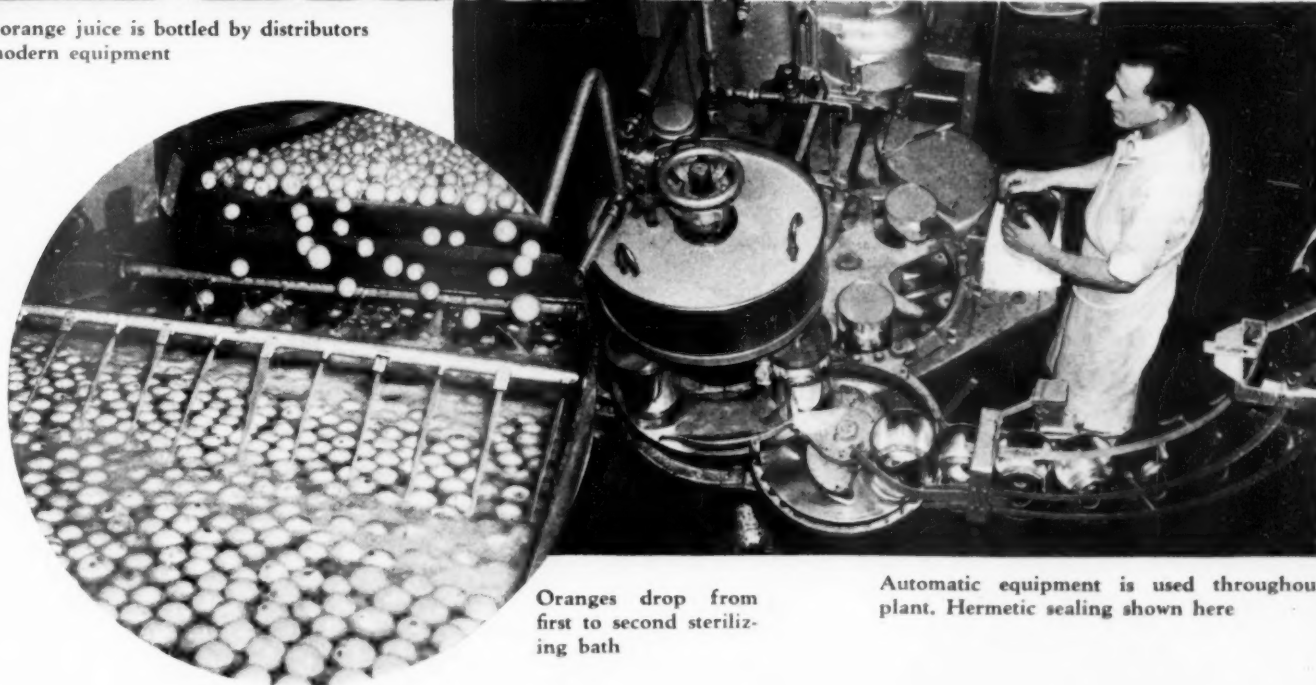
Squeezing Dollars from Sunshine



Pasteurized orange juice is bottled by distributors with most modern equipment



Oranges reach the factory in large trucks and pass into plant on conveyor belts



Oranges drop from first to second sterilizing bath

Automatic equipment is used throughout plant. Hermetic sealing shown here

SIXTEEN years ago last summer, Frank W. Bireley bought a hand-cranked orange squeezer and a half-dozen crocks and began selling orangeade to fellow students at Stanford University. His sole objective was an education. Two months later, however, his business had bounded ahead so rapidly he foresaw a wider market. Abandoning his pursuit of book learning, he moved to Hollywood and opened a tiny plant. This year he will squeeze more than 144,000,000 oranges, reduce the juice to concentrate which will provide 250,000,000 bottles of orangeade available across counters in nearly every city and town of the United States.

For ten years Bireley expanded slowly, at the same time perfecting mechanical means for extracting the juice, pasteurizing the fluid, concentrating it and assuring

the taste. In 1933, he offered the concentrate to Texas dairies, which they marketed along with milk and eggs. Shortly, he introduced the concentrate to Kansas Citians, and from there fanned out toward both the Atlantic and Pacific coasts. Now seven Bireley bottling plants in metropolitan areas provide orangeade for customers on company-served routes, and 2,000 dairies deliver the diluted concentrate.

A not-too-hasty glance at his production line reveals the story of progress. Fully ripe Valencia oranges ride into the plant on conveyor belts, and, after inspectors remove damaged fruit, they pass through three sets of washers which both cleanse and sterilize each fruit. On they go through a sizing machine into storage bins of 75-ton capacity to await processing.

Another inspection, and the fruit is car-

ried in double rows to three juice extractors, developed by Bireley engineers. These ingenious machines, each capable of handling 16,000 oranges an hour, slice the oranges and scoop out the juice and pulp. They then strain the juice, which is piped to concentrators, each of 2,500-gallon capacity. Here the juice is subjected to high vacuum to remove moisture and gases.

Sugar and lemon juice added, the mix is finally processed in a vacuum de-aerator, which removes the oxygen, after which it is delivered into a flash pasteurizer. Rapid heating and cooling under vacuum do the trick. At last the cans of warm juice are automatically sealed, to be cooled as they pass under hundreds of streams of cold water.

—ANDREW R. BOONE



WHY YOUR NEXT WATCHCLOCK SHOULD BE A **DETEX**

● Standing guard over valuable American properties nightly are 100,000 watchmen, each supervised by a Detex Watchclock. The almost universal acceptance of Detex by American Industry as the one source for watchclocks is an indication of why Detex Watchclocks should serve you.

Detex experience in watchclock manufacture dates back for over half a century; and the Detex line includes watchmen's clocks for every type of business.

Add to this the fact that Detex clocks are the product of the largest plant in the world devoted exclusively to the manufacture of watchmen's clocks and the answer is plain—the next watchclock you purchase should carry the Detex name.

Make it a point now to see your nearest Detex agent or write direct for further information.



DETEX WATCHCLOCK CORPORATION
80 Varick St., N.Y. 4153 Ravenswood Ave., Chicago, Ill.
29 Beach St., Boston. 116 Marietta St., Atlanta, Ga. 800

DETEX

WATCHMEN'S CLOCKS
NEWMAN • ECO • ALERT • PATROL

Say Please, Mr. Tax Collector!

(AN OPEN LETTER)

DEAR MR. TAX COLLECTOR:

For the past decade you have been sending me threatening letters. Oh, yes you have! And I'm writing this to tell you that I'm fed up with it. I realize you don't mean anything personal. You probably don't know me from Adam.

But I know you, or about you, in a general way. I see your picture in the papers now and then. You seem to be a pleasant-looking, decent sort of fellow. From what I hear secondhand, you are a kindly family man with a host of loyal friends. That's what makes it hard for me to figure out why you act so tough and grouchy all the time, T. C.!

An irritating form letter

I REFER to the printed form which you send me about the first of every year for my income tax. This is not technically the same as a letter. But since it is the only sort of communication I ever get for my money from your office, you'll pardon me if I treat it as a letter.

The form I always get is numbered "1040." You start off by telling me that I'd better read "general instructions (A to M)" before attempting to fill in the form itself. Most of the subtitles (in bold-faced type) use the irritating word "must." That starts the ball rolling in a sort of master-and-servant tempo—with me as the servant.

Throughout these so-called "instructions," the language is stiff, peremptory, and impersonal—occasionally obscure. You seem to be saying, "I'm not showing you, I'm *telling* you." And there is no delicate touch when you come to the item "Penalties," in which I am given to understand that I'll be fined or jailed or both if I fail to touch all the bases in filing my return. You plainly indicate the official tax on persons who remain married without living together and in no subtle manner.

I have never found my ordinary form "1040" quite so puzzling as the comic cartoonists like to make out. But it would be a lot easier to understand (and a lot easier on the *ego*) if the language were not so abrupt. For example, is it absolutely necessary to say: "One form marked DUPLICATE COPY must be filed with this original return (\$5 will be assessed if duplicate copy is not filed)"—just like that? Why not say

"please" for a change, T. C.? It wouldn't cost the Treasury anything to show a little sportsmanship towards its cash customers.

I'd bet anything that if you applied the same technique to the whole form, you'd get better results on the whole. Instead of telling the taxpayers like a lot of rabble to "PRINT NAME AND ADDRESS PLAINLY," why not: "If the taxpayer will kindly print his name plainly, it will help us to be sure that his account is credited correctly and promptly."

Again, instead of: "Salaries and other compensation for personal services (From Schedule A)"—wouldn't the following be more plain and polite: "Please enter, here, the total of all the money you made during the calendar year from your regular job or from your professional fees." As for the "Schedule A," you could just use a plain footnote reference to get the supplementary information. The word "schedule" is uncommon and confusing. It is tax language. Everybody knows what a footnote is and what it means.

So on, all through the form. Do you know, T. C., you could get an ordinary rewrite man from the nearest daily newspaper office and ask him to go over your tax forms with accent on politeness and clarity? The improvement would be at least 100 per cent, not counting the resulting good will.

Legalistic forms

I KNOW the very thought of such a thing would give your high-priced legal staff a stroke of apoplexy. I know your lawyers have worked hard, year in and year out, to make these forms as noncommittal, as watertight, air-tight, and just plain tight from the Government's standpoint, and as much of a catch-all from the taxpayer's standpoint as the best brains of the bar can devise. What of it? The result is as snippy a document as ever made an honest citizen see red.

And that brings me to the whole point of this letter: Where do you think such tactics get you, T. C.—from your own Treasury's point of view? Did you ever hear of any other business that entrusted its lawyers with the job of drafting all communications to the cash customers? If you did, I'll bet it wasn't for long. The smart, up-to-date business man concentrates on turning out the friendliest and most attractive masterpieces

of good public relations that he can concoct.

Maybe you don't think you need to worry about good public relations! Well, let me tell you right now, T. C., this Government of yours and mine has got just about the biggest job of selling itself to the public in the history of public relations. Remember the skit in the recent comedy where a crusty old individualist refused even to speak to the income tax man because he said he "didn't believe in it"? And then he demanded to know what he "got for the money" the Government wanted from him.

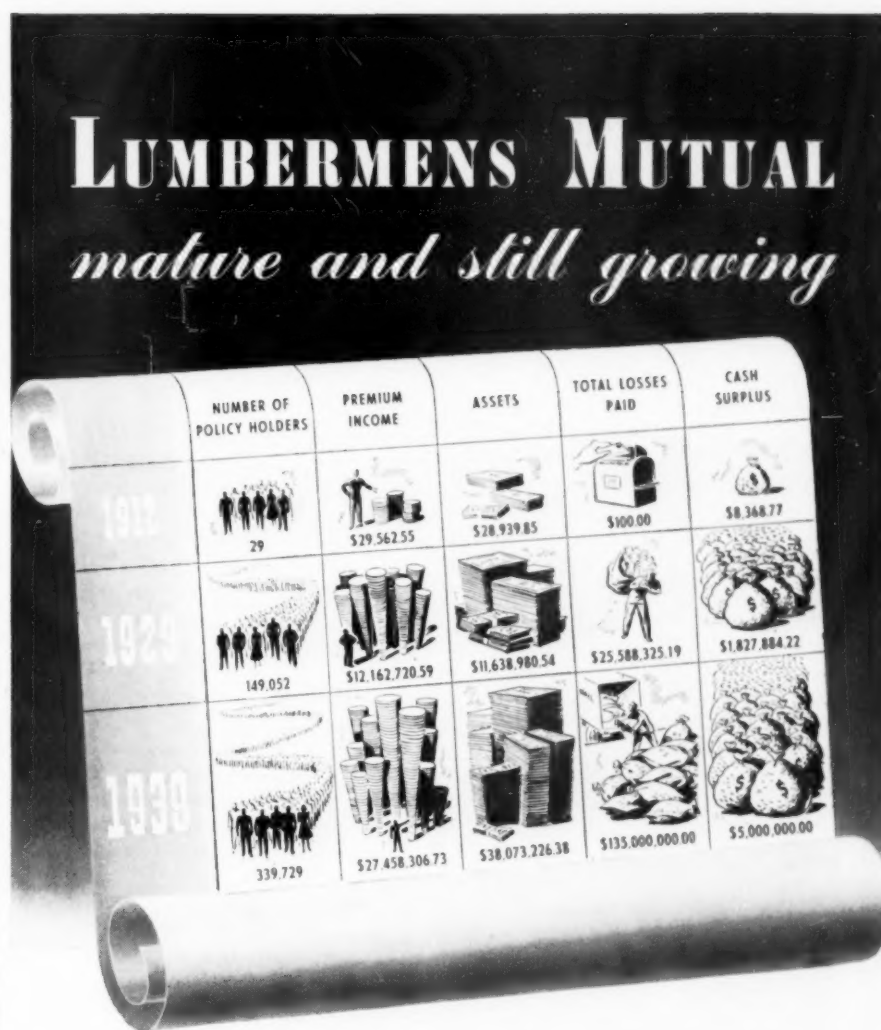
Explaining doesn't hurt

NOW, that's still a fair question. You could easily let yourself in for considerable explaining. Remember, the taxpayers are, in effect, the stockholders of this Government. If any other company were going into the hole at the rate Uncle Sam's company seems to be going, the board of directors would be due for one hell of a lot of explaining. Of course, you've got the police on your side, if it comes to a showdown. And, strictly speaking, you don't have to explain, or even be nice about it. But wouldn't it be smart if you made this tax collecting business as easy as possible instead of as unpleasant as possible?

Trouble with you is that you are still using the hard-boiled tactics that some of our commercial companies abandoned years and years ago because they didn't pay. The railroads, for example, used to decorate coaches with ugly black signs telling their passengers: "Don't Swear in This Car"; "No Smoking under the Penalty of Fine and Imprisonment"; "Don't Spit on the Floor." The railroad and street-car companies have long since found out that it paid to make polite suggestions—to say "please." They found that when passengers were treated like honored guests, they were more disposed to behave accordingly.

Now, you could do something like that, T. C., without much trouble or expense. You might even send a little bill stuffer along with your annual tax forms telling briefly and simply where the money goes. Every other successful corporation makes a great point of sending a nice annual statement to its stockholders. Gas, electric, and telephone companies do it with their customers.

There are many things to be said on your side, T. C. It's not all bad—not all red ink. We've got a splendid Navy, and the Army is coming along. These things all cost money; the taxpayers might appreciate the consideration of being told about it. The Government certainly goes out of its way to be polite enough to people it wants



IN point of age Lumbermens is a fully matured organization—able to make the decisions and take the actions expected of maturity.

Yet again in 1939 it continued the unique record of consistent growth which it has maintained every year since organization.

One more year has demonstrated the soundness of this company's principles and has added to its reputation for stability and ability to earn dividends for its thousands of policyholders.

Premium income in 1939 amounted to \$27,458,306—an increase of

\$546,627 over the previous year. Earnings for the year amounted to \$6,408,642, a gain of \$624,975 over 1938. Cash surplus now stands at \$5,000,000 and dividends paid to policyholders during the year totaled \$4,781,726, topping the previous year's payments by the generous margin of \$35,841.

Today, Lumbermens, with an unbroken record of progress through war, panics and depressions, is the casualty company which gives strongest expression to the ideals of security, service and savings.

LUMBERMENS MUTUAL CASUALTY COMPANY

JAMES S. KEMPER, President

MUTUAL INSURANCE BUILDING, CHICAGO, U. S. A.
Operating in New York as (American) Lumbermens Mutual Casualty Company of Illinois
Save with Safety in the "World's Greatest Automobile Mutual"

"3 appointments in 3 cities in 1 day



—IT CERTAINLY PAYS TO FLY,"
SAYS W. J. AUSTIN,
President of The Austin
Company, Cleveland, In-
dustrial Engineers and
Builders

"I use Air Travel extensively, as do all other executives of The Austin Company, because of the great amount of time it saves. I have often made business contacts in Cleveland, Detroit and New York in a single day. Our auditor, for example, saves eight days on each trip to our Western and Southern offices. In addition to time saved, our traveling expenses are also much less.

"The great comfort of Air Travel is another important factor. Our men arrive refreshed and clean and alert for the business on hand. Flying is grand in winter because the planes fly at the high altitudes where it is smooth and sunny."

This endorsement given without compensation

TIME MEANS MONEY

The man who flies saves hours each day, days each week, weeks each month, months each year—depending upon the amount of travel required of him.

That is why Air Transportation saves thousands of dollars for many companies every year, in salaries and expenses; their men spend less time on the road, more time at productive work.

Why not phone the nearest airline office for a representative to call and show you how Air Transportation can be of real service to you and your men

—and how surprisingly inexpensive it is compared with the fastest first-class ground transportation.

ASK YOUR TRAVEL AGENT: It's easy to buy an air ticket to any place in the United States or the world. Simply phone or call at any Travel Bureau, Hotel Transportation Desk, Telegraph office or local Airline office, for airline schedules and fares.

AIR TRANSPORT ASSOCIATION
135 South LaSalle Street, Chicago, Illinois
This educational campaign is sponsored jointly by the 16 major United States Airlines, and Manufacturers and Suppliers to the Air Transport Industry.

FLY
IT PAYS TO

2,600 MILES OVERNIGHT—\$4.80 . . . Air Express is the World's fastest package service. All domestic and international Airliners of the United States carry Air Express. Low rates include special pick-up and immediate special delivery. A five-pound package delivered 2,600 miles, overnight, costs only \$4.80. Call Air Express Division, Railway Express Agency, for rates, information and service.

to spend money on or lend it to.

Why, for example, do you go on making the taxpayers pay a quarter to a notary for the privilege of *paying* money to the Government? The Government doesn't require that from people who *borrow* it or get the *hand-outs*. Yes, I know that there is free notary service in the collectors' offices; but how many of your clients pay their taxes at the collectors' offices? There is no reason, legal or otherwise, why a simple "affirmation" wouldn't be just as binding on the taxpayer.

Again, why have you stopped the practice of telling the taxpayer that his money was received and the account is ostensibly okay? Why don't you go further and *thank* him for the dough? Say, if any other business tried to get away with such rough stuff, they'd be on the street in a month. Of course, your lawyers will argue that such notices might "commit" the Government to something or other. Pay no attention to them. Tell them it's their job to see that the Government isn't unnecessarily committed without sacrificing ordinary rules of business etiquette. Other concerns manage to do business politely, without making their customers swear to affidavits for the privilege of paying their bills—without dispensing with regular statements of account. Why not Uncle Sam?

Politeness in government

OTHER countries, also, manage to do this; believe it or not, T. C.! A year before the European war broke out, I had to take a short trip to France. While we were tied up at an English port, I watched an American lady going through the English customs. A handsome, uniformed customs official aided her with her declaration. "I'm just here to assist His Majesty's guests" he explained, while the lady thrilled. Of course, we all know this was just the old blarney, T. C.! For all his gold braid and flashing smile, that guy was there to see that His Majesty got his uttermost farthing out of a Yankee tourist. But how much nicer it was to have it put that way! It reminded me of our own American customs men in New York City—it was so very different.

The French were the same way. They taxed you every time you turned around; but their printed forms were just reeking with "*s'il vous plaît*" and "*voulez-vous*." Paying taxes is never a pleasure. But it becomes a darned sight more bearable if the taxpayer is treated more like a human being and less like a suspected criminal. So get wise to yourself, T. C.—say "please."

Yours In a Huff

JOHN TAXPAYER

Rackets on the S.E.C. Front

(Continued from page 22)

approving eye on the deal and "it is necessary to postpone your financing indefinitely. . . ." Apparently, some racketeers keep form letters to be used in accordance with a victim's reactions when he begins to show impatience.

Advance fees may mount into thousands while the game is swinging along merrily. Letters, telephone calls, telegrams will keep prospective borrowers keyed up until the last moment. The borrower believes he is getting full service for his fees and sometimes he does obtain hundreds of sheets of white paper upon which his company's history and earnings record will be noted. He can keep those sheets as a reminder of innocence or throw them into the nearest waste-basket. They'll not help him sell stock, no matter what else may be their function. In the end, the front money victim never has anything worth while to show for his payments.

Avoiding the S.E.C.

INCIDENTALLY, the clever front money swindler does not entangle himself with the S.E.C. directly. On the contrary, his common boast is that he considers federal security legislation a nuisance, but essential to eliminate fraud. Since the racketeers are not registered with the Commission, since they sell no securities, they cannot be indicted under the securities laws. It's the mail fraud act that the S.E.C.'s investigators are counting on, because front money promoters do write plenty of letters!

There are some tragic instances of the depths to which these racketeers will descend. For instance, the Milwaukee inventor who lost every cent he had through their manipulations. He hitchhiked to New York to lay his complaint before the New York representatives of the S.E.C.; slept in Central Park while he waited a chance to present his case in person.

Another victim told the Commission's trouble-shooter that all he got out of his experience was "proficiency in writing. I wrote so many letters that at least I became an expert in letter-phrasing."

Front money operators usually concentrate on young, growing corporations or on newly organized companies eagerly seeking additional cash. These supposedly shrewd business men seem to be the most easily fooled. The S.E.C.'s files of those defrauded include mining concerns of all kinds; corporations producing soap, guns, motor cars, cans, cereal; finance and sales companies; a health institute; one marriage bureau; one mink-breeding concern; a fish net firm.

Sometimes, front money operators tour the country, go from locality to locality, urging business men and manufacturers to finance through sales of stock. Sometimes, a carefully selected mailing list will do the trick. Sometimes, advertisements in local newspapers will at-

WHAT IS A TRUCK-TRAILER

AND HOW DOES IT SAVE ON HAULING COSTS?

The answer is as simple as ABC and savings for owners are certain!



① This is a truck chassis. It can be used either to carry or pull loads.



② Here is a modern Fruehauf Trailer. Fruehaufs are in use in more than one hundred lines of business.



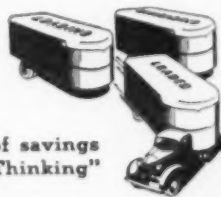
③ Couple the truck to the Fruehauf Trailer and you have a Truck-Trailer with which you can haul 3 or 4 times as much because the truck can pull far more than it can carry.

You save on first cost since you can use a smaller truck to pull a given load. The cost of the small truck and Fruehauf Trailer is usually one-third less than a big truck which carries the entire load.

The smaller truck costs less to operate than a large one—as much as 30% less. Your upkeep will be less for the smaller truck—savings here may be as high as 35%.

Your depreciation will be less because the smaller truck costs less to buy and to replace—less to write off each year. A Fruehauf Trailer lasts 10 years or more—write-off yearly is extremely small.

You can save still more by a "shuttle" operation. Leave only the Trailers to be loaded or unloaded. Use the truck continuously to pull first one and then another of the Trailers ready to be moved.



The Fruehauf Truck-Trailer story is one of savings from start to finish. The booklet "Executive Thinking" tells all. It is yours upon request.

World's Oldest and Largest Manufacturers of Truck-Trailers

FRUEHAUF TRAILER COMPANY • DETROIT

Sales and Service in Principal Cities

A few desirable territories are available for well-financed distributors. Complete details will be sent upon request.



Thanks to motor trucks, fresh fruits, vegetables, seafoods and other perishable foods are now available to communities of every size the year 'round. Living standards have been raised and costs of living have been reduced.

FRUEHAUF TRAILERS

"Engineered Transportation"

"En Garde!"



The master swordsman maintains a sure defense against the quick thrust at the unexpected moment.

Likewise, the home owner, merchant, landlord, tenant, manufacturer, contractor—should be continually on guard against financial loss from damage claims resulting from injury to some member of the public on his property or through his operations.

Public Liability insurance in Standard of Detroit is a *sure defense* against this hazard. Your Standard agent or broker will help you plan a sound program of Public Liability protection as well as coverage for automobile accident, burglary, embezzlement, forgery and similar risks.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

tract enough inquiries to permit the racketeers a juicy haul in a few months.

But there are three main methods through which the front money operators get their fees. Their biggest sums are collected by arranging offerings of securities, writing prospectuses, preparing statements, investigating plants. Their second best source is legal advice. Their third is negotiating for reorganization or incorporation of a company.

This division of activity is carried through to the operators themselves. Front money promoters have a sort of "reverse gentlemen's association," although their organization certainly has no constitution or by-laws! They have been found corresponding with each other, informing each other of the condition of a territory—when it's time to move on because victims are becoming too curious. They have been discovered shifting employees, actually splitting up work. One firm, for example, will concentrate on writing prospectuses. Another will confine itself to legal work. Another will collect fees for incorporation or investigation. The unlucky business man will be passed from promoter to promoter until his money runs out.

The fact that the racketeers have this unique association of mutual interest indicates the extent to which the fraud has been developed. And now that stock financing is being revived, there is every reason to fear they'll spread further—unless the S.E.C. gets them first.

The Securities and Exchange Commission has been aware of the existence of front money racketeers for years. In fact, its investigation of their operations was started as far back as 1936. But S.E.C. racketeering is a delicate subject at best—and in 1936 and 1937, the Commission was pretty busy instilling respect for law. At any rate, it was not until early 1938 that the Commission began in earnest its drive against these slippery promoters.

Watching for rackets

IN that year, it started a few actions. Much more important, though, it appointed Phil Wagner, a former New York assistant district attorney, as chief of an intensive survey of the racket. The Commission's regional administrators were called together, asked to be on the lookout for suspicious promoters, to double their efforts to uncover swindlers. The aid of the Post Office was requested. Well-known investment bankers and financiers promised to notify the Commission of questionable underwriting firms; victims were subjected to exhaustive questioning so that case histories could be obtained; newspaper men were asked to cooperate; voluminous files were collected. And now the S.E.C. is ready to crack down.

Within a month or two, the Commission will ask the federal grand juries in Los Angeles and New York to indict 57 alleged racketeers. The indictments will involve about 250 cases, show losses of approximately \$250,000. This is one of the broadest criminal actions ever started by this federal agency. And the 57 will be only part of the S.E.C.'s long list of front money swindles.

What will be the outcome—whether

the S.E.C. will be victorious or whether the accused will be able to prove their innocence under the provisions of the mail fraud law—cannot be foretold. But "front money" and "advance fees" should become familiar words to this nation's newspaper readers soon and this familiarity should do much to destroy the racket.

Many rackets flourish

OTHER S.E.C. rackets flourishing now are minor in comparison with the front money promotion, but, nonetheless, they are dangerous and insidious. Borderline ads, for instance, strike at "little fellows" eager to invest their few hundred dollars of savings—just the people least able to stand losses. The federal laws governing financial advertising are strict but, through wording of statements, through implication, the racketeers accomplish their purposes with amazing ease. The S.E.C. hasn't been able to eliminate the financial letter writers who attract investors the way the Pied Piper caught children.

It's not more legislation that is needed. Both the S.E.C. and state authorities admit there are enough laws to punish swindlers, once they are discovered.

What is essential is education. The business men and individuals whose activities bring them in contact with financial representatives must understand the meaning and scope of securities legislation.

The only way a business man can beat the front money racketeer—a fraudulent promoter, as a matter of fact—is through knowledge of the hazards before him and of the sources for reliable information.

There are a few "don'ts" to guide the confused business man in these law-burdened times, though:

Don't choose a financial representative without first investigating his qualifications and reputation.

Don't sign contracts with strangers, whether personally introduced or met through the mails or advertising columns, unless your own lawyer and banker have approved your actions.

Don't pay advance fees for anything, unless you know exactly what service you are to receive.

To sum up, don't place your firm's financial future in the hands of persons unknown, possibly dishonest or unqualified.

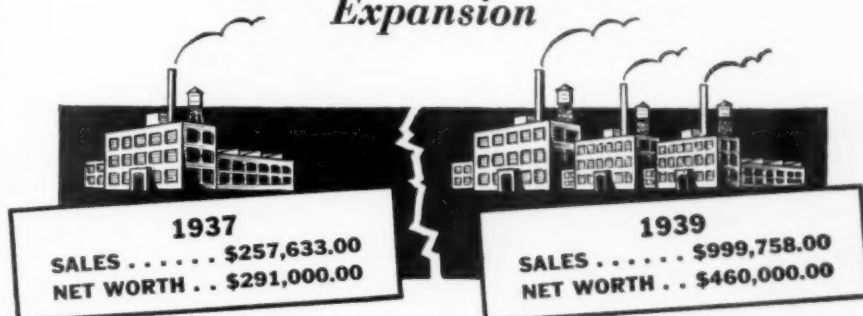
No business man, no matter where he is, should find it difficult to check the financial responsibility of any firm or individual. There are the 60 Better Business Bureaus, scattered throughout the country, that will answer any queries. There are the regional offices of the Securities and Exchange Commission, to which questionable letters or advertisements may be sent. The confused business man may talk to his local Chamber of Commerce, his State Attorney General, his hometown banker. He always may address his inquiry to the Post Office officials.

Regardless of the S.E.C.'s regulations or federal and state laws, the public has but one real weapon with which to fight racketeering—knowledge that racketeers exist.

GOOD BUSINESS NEWS

SALES QUADRUPLLED IN TWO YEARS

*Continuous Cashing of Accounts
Receivable Helps Profitable
Expansion*



PICTURE OF A PROSPEROUS BUILD-UP

THE problem was mainly one of limited plant capacity. The remedy, clearly indicated, was EXPANSION. The obstacle to be overcome was INSUFFICIENT WORKING CAPITAL.

In the words of our client, the MIDLAND COMPANY*:

"Our banking facilities were inadequate to cope with this expansion, and until we took on your service, we didn't dare plan further ahead than just a few months at a time. We were unable to commit ourselves for

some excellent business that was offered, because we didn't know whether we could deliver."

With our service and co-operation, the MIDLAND COMPANY cashed its accounts receivable as fast as shipments were made. This quickly put them in a position not only to increase sales materially, but also to take over the operation of two supplementary plants.

As a result, annual sales increased from \$257,633 in 1937 to \$999,758 in 1939, and the company's net worth increased from \$291,000 to \$460,000, solely from earnings.

* * * *

The service we render to a large number of representative clients in a wide range of industries includes advantages far beyond the mere advance of cash on receivables and inventories. We make intelligent application of financing to fit special conditions... on a thoroughly practical basis in point of flexibility, timeliness and credit co-operation. If you have not seen our brochure, COMPARATIVE COSTS OF FINANCING write for a copy. Address your request to DEPT. NB.

**A fictitious name, but the facts and figures, taken from our records, can be certified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

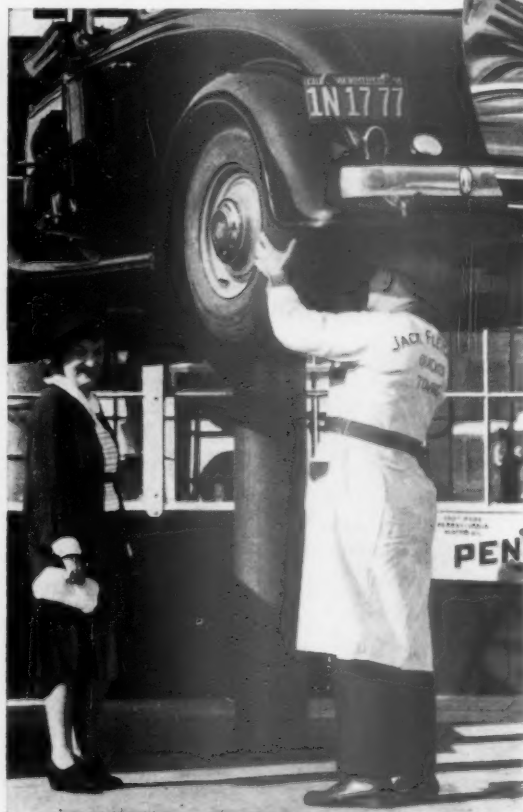
BOSTON NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$63,000,000

Safe Way to Buy a Good Used Car

By JOHN ANGUS HAIG

Average customer knows little about mechanical condition of car. Fletcher gives it a two-hour inspection and reports its worth



MORE than half of the motorists in the United States buy used cars only. An enterprising garage mechanic tapped this market by inaugurating a testing service for prospective used-car buyers at \$10 per inspection

ON A COLD, rainy day in January, 1933, Jack Fletcher, a Los Angeles automobile mechanic, sat in his workless workshop mulling over a business idea. It was a somewhat vague idea based upon years of experience in repairing thousands of vehicles. He was familiar with why and in what parts of their mechanical anatomy automobiles are prone to wear out. He knew also that more than half the motorists in the United States have never owned a new car but, because of limited funds or other reasons, make their selections from the offerings of used-car dealers.

How good is a used car? When

Fletcher asked himself this question he knew that the answer depended entirely upon the vehicle's mechanical condition; he'd seen plenty of evidence that few used-car buyers knew exactly what they were getting for their money. It was obvious to him that buying a used-car was fraught with risks that most purchasers can ill afford to take. He knew that used-car sales are usually a battle of wits in which the odds are overwhelmingly in favor of the seller.

Although he was personally acquainted with many used-car dealers of unquestioned integrity, he also

knew that the used-car business had its quota of rascals who operate to the detriment of buyers and reputable dealers alike.

It had long been apparent to him that the value of any used car was its value in terms of service with relation to price and operating costs. Price, on the other hand, was seldom anything more than a figure on a windshield.

Having repaired innumerable cars for persons who had bought jalopies that "looked like new," Fletcher knew the anguish of the buyer who can least afford the costly repairs that a bad used-car "bargain" always lets him in

for. He'd seen all the tricks of unscrupulous used-car dealers—worn-out bearings temporarily restored by pouring them full of babbitt metal, heavy oil hiding the knocks of a decrepit motor, sawdust temporarily silencing the clatter of worn-out transmissions, hotshot dry cells pinch-hitting for dead storage batteries, radiators that leaked like sieves if drained of their tapioca.

Suddenly, Fletcher's rambling thoughts began to form into a definite business plan.

"By Jove, Fern!" he told his wife. "I've got it! In about 30 days I'll be working 12 hours a day at \$5 an hour!"

"What are you talking about, Jack?" asked Mrs. Fletcher. "Where are you going to find somebody who will pay that kind of wages for an automobile grease monkey?"

"It's not a job with wages," Fletcher replied. "It's an idea I'm putting to work! I'm going to be an appraiser of used-car values. I'll have my own business and a staff of mechanics working for me. It can't fail; people will gladly pay for a service that steers them clear of costly mistakes."

Take a look into one or both of Jack Fletcher's Los Angeles offices today. A business man wearing a clean, white smock over ordinary office clothing sits at a flat-topped desk checking through a pile of automobile inspection reports. The man is Fletcher; he's about 50 and the hair around his temples is slightly gray. The reports are on cards about 12 by 18 inches and the pile is five inches deep.

On each card is a detailed summary of the exact mechanical condition of some used car under consideration by a prospective buyer. The cars themselves are scattered about the used-car

lots in Los Angeles and various suburban cities. Every car lists more than 100 mechanical details checked from inspections and road tests by Fletcher or his associates—all of them expert motor mechanics.

A thorough inspection

WHEN these fellows inspect a car they go under it, over it, through it from bumper to bumper and from tires to top. They know exactly what to look for and how to find it if it's there. They have special tools for probing into every point of wear and other tools for determining degrees of wear. They have elaborate electric recording instruments for checking spark plugs, generators, batteries and all the details of a vehicle's electric equipment.

They measure motor compression with recording gauges. They check fuel consumption with flow-meters cut into the gasoline and oil lines while the car is being road tested. They have squares and straight-edges for checking chassis, wheel alignment and anything else about the car that may be out of line. A vacuum tube device amplifies abnormal mechanical sounds. Samples of grease and oil taken from the motor and various points of wear get microscopic examination.

In the final check-up of each inspection report, appearance is heavily discounted. According to Fletcher, a \$20 paint job may cover up or divert attention from a lot of mechanical defects, but \$20 won't even make a start toward a major mechanical overhauling. Hence, mechanical condition is the important consideration to be weighed

against price, estimated service mileage and future cost of operation.

Then, if, in Fletcher's judgment, the car is worth the price the dealer wants for it, he recommends it to the prospective buyer who came to him for counsel. For this service the buyer pays \$10. This is at the rate of \$5 per hour, since each inspection is a two-hour job.

The telephone rings and Fletcher answers it.

"Good morning, this is Jack Fletcher speaking."

"Oh, yes, Miss Smith! Of course, I remember you. You're the teacher in Hollywood who's interested in the 1936 Buick coupe at the X—Agency."

"Yes, I inspected the car myself. Hold the wire a moment, please. I have the report right here; I'll give you the summary."

"All right. I have the card in my hand now. And here's the story: That car is an excellent value at \$500, but I told Mr. X—I would not recommend it to you at \$600, and he has agreed to meet my estimate. You won't go wrong at \$500. But, remember, that's all you're to pay."

"My ten dollars? Of course, I'll be glad to accept your personal check."



Prices on bulletin board give but small part of information the customer needs

Instrument to check ignition is only one of many special tools used for inspection service



Why in the world don't they swap horses?

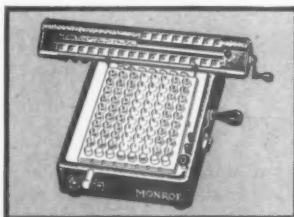
THE plight of George Little on his Percheron and Timothy Dexter on his light whippet model, is simply the result of low sales resistance when there weren't enough horses to choose from. Sad as their situation is, it's not nearly as serious (and we mean serious both ways) as being sold—for the same reasons—a business machine which doesn't fit your business.

IT WON'T HAPPEN WITH MONROE!

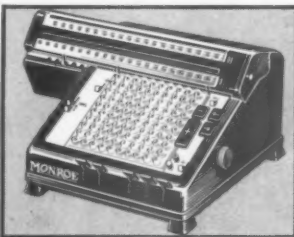
Monroe has models to fit *any* conditions in *any* business. Monroe makes 24 different adding-calculators alone, from the small, hand operated Model L to the A-1, which is the most completely automatic calculator anywhere. Plus adding-listing, bookkeeping, posting, and check writing machines.

Only Monroe can give you the same exact "fit" in figuring machines that you expect in shoes or shirts!

Ask a Monroe representative in one of our 150 branch offices to analyze your work and suggest *exactly* the figuring machine your business needs.



If your work calls for occasional figuring in your office, at home, on the road, here's the answer: Monroe Calculator (Executive Model). Only 7½ lbs., occupies no more area than a letterhead.



For easing the load of volume figures, Monroe Calculator A-1 has no equal. Completely automatic, with automatic short-cut multiplication—a new and unique timesaver in mechanical figuring.

MONROE CALCULATING MACHINE COMPANY, INC. • ORANGE, NEW JERSEY

Sure, that's all right! Drop it in the mail. I'm glad we could help you. And let me hear from you if you are not entirely satisfied. Many thanks. Good-by!"

Conversations of this sort go on in his offices all day. It is evident that Jack Fletcher has worked to a purpose during his 25 years in Los Angeles building an enviable reputation for honesty and business integrity. That reputation is priceless to him today; without it, his present enterprise could never have started.

A shopping service

BECAUSE his patrons know he is trustworthy, many whom he has served in the buying of two, three, and even four cars, now leave their car-buying entirely to him and don't even bother to go shopping with him. They simply hand him whatever sum of money they have to spend, tell him their choice of make and model and say: "Go ahead. Get me the best one you can find for the money."

When this happens, as it does nowadays rather frequently, Fletcher, with a few 'phone calls, can usually locate the desired car in about an hour. By knowing all the reliable dealers and about what they have on hand from day to day, he soon locates several cars of the type desired and goes to the best one of the small desired group like a dog to a buried bone! For this type of service the buyer may pay Fletcher from \$50 to \$100, but even so, he'll usually get a better car for about \$100 less.

Such apparent miracles are simple enough when one knows how Fletcher works them. He knows every used-car dealer in the county. Of course, he favors the dealers whom he knows to be reliable, and they, in turn, favor him with better prices and all-around better buys. It pays the dealers to do this with the man who is constantly bringing cash sales to them. And since the dealers also know how thoroughly he inspects and road-tests every car, it would be bad business for them to try to put anything over on him.

Reputable used-car dealers consider Fletcher a cooperative friend, whose unusual enterprise is approved by chamber of commerce organizations, Better Business Bureaus and the various motor car dealers' associations that have been trying for years to eliminate business practices recognized as detrimental to the entire field of used-car selling.

According to Fletcher, every motor vehicle is turned out of the factory with a pre-determined life of mileage and trouble-free service. After a year, 50,000 miles, or any other period of time and mileage, the service-life of

a car is still exactly what the manufacturer built into it less devaluation by wear, abuse or accident. This service-life differs enormously in various makes and models of cars; every manufacturer has turned out models that were good, bad and indifferent. Some are exceptionally good. Others are notoriously bad. Knowing the various makes and models by their service reputations is highly important.

Fletcher has been compiling such data for years and has a big car-indexed file which lists the merits and demerits of every car built in the United States since 1920. Information on cars built before 1930 is now little-used. But the reputational data of those built between 1930 and 1939 is in frequent daily use. This file is considered confidential.

Aids for car shoppers

TO AVOID the necessity for numerous professional inspections and road tests at \$10 each, the prospective used-car buyer who calls upon Fletcher makes a payment of \$2 and receives some valuable instructions enabling him to do his preliminary shopping without professional aid. He is given a printed list of reputable dealers, another listing desirable and undesirable makes and models, and several multigraphed sheets of instructions for inspecting and road-testing any car under consideration.

By following these instructions, any one can pick out a fairly good buy in used-car offerings and then call for expert mechanical inspection after having found a car that meets the preliminary requirements. The \$2 paid for the preliminary service is then credited as part payment of the \$10 for the complete inspection.

Fletcher's depression-born business enterprise, now in its seventh year, has become a complete success. It has created wages for the 16 motor mechanics now on the pay roll. In return for what the patrons of the service have paid, they've saved themselves no end of automotive headaches and incalculable sums of money. Demand for the service is steadily increasing and this increase is attributed largely to the word-of-mouth recommendations of satisfied buyers to other prospective used-car buyers. It has been highly profitable for Jack Fletcher, too, but, more important, perhaps, is the fact that, what Jack Fletcher has done, men like him can do in at least a thousand cities. Millions who will buy used cars this year would welcome such a service. Providing it for them would be profitable for the operators, provide jobs for an army of mechanics, stenographers, bookkeepers and clerks—and have its benefits for the motor car industry as a whole.



Loans BY THE CARLOAD

Goods shipped on open account are, in reality, 30-, 60-, or 90-day loans—without security. Tangible merchandise becomes abstract "Receivables" as soon as it leaves your hands.

Who will guarantee the safety of your Receivables—who can state their actual value if, for instance, you should seek banking accommodations?

American Credit Insurance

offers the practical, economical, time-tested way of obtaining and maintaining security for Receivables.

Prudent executives in thousands of Manufacturing and Jobbing houses carry American Credit Insurance as a bulwark against unexpected credit losses and delinquencies. They keep the future under their own control.

American Credit policies protect you on firms that fail or on firms that simply fail to pay. All are thoroughly modern. Thus, reorganizations under the Chandler Act have the same status as insolvencies. General coverage and many other forms of policies are available. Ask for details.

AMERICAN CREDIT INDEMNITY CO. of New York

J. F. McFADDEN, PRESIDENT

Chamber of Commerce Building, St. Louis, Mo.

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Offices in all principal cities of United States and Canada

No Business Can Escape Change

**Though spring is remembered
for its fever, it gives a health-
ful spurt to business**

1 • AN ANTI-SLIP material for stair treads and special flooring is made by casting pieces of electric-furnace abrasive in aluminum alloy, brass, or bronze. It has high resistance to slipping whether dry, wet, or oily. Wear is such that the abrasive pieces retain their effectiveness without a tripping hazard.

2 • A SAFETY insole for workers who may step on nails, spikes, etc., is made of overlapping steel strips moulded in rubberized fabric. The insole is light and easily flexible, yet prevents injury by penetration of the sole by sharp-pointed objects.

3 • FOR SAFETY in the shower or on slippery floors, there is a pad of cork particles held on the ball of the foot with an elastic band. The pads can be slipped on easily, add to foot comfort on beaches, do not impede swimming.

4 • A MAP CASE for motorists has a transparent cover, accommodates 25 feet of scroll map on rollers which are easily turned by outside knobs. An additional roll of 25 feet may be stored between the rollers.

5 • FOR LAUNDRIES a new machine to govern wash wheels adds the proper mixture of water and supplies for each operation, times each operation, rings a bell when the operator should unload the machine.

6 • A NOVEL, sturdy, wooden toy advances by doing flips or hand springs. It remains under the operator's control—goes forward or back and makes turns.

7 • A PACKLESS expansion joint for steam, hot water, gas or oil lines has an expanding element consisting of a series of U-shaped rings welded together and to the case. It is sturdy but a snap ring prevents serious leakage even if the expansion element should be ruptured.

8 • A "BLACKBOARD" made of glass is now available in ivory, green, or black. The glass used has less glare, gives long service.

9 • PROJECTION lenses have now been made with a special film coating which increases light transmission and cuts down markedly the reflection.

10 • AN ALL-WOOD substance strong enough to serve as dies in stamping light metal parts is now available. It's wood fiber compressed under heat. New dies can be cut from it with ordinary wood-working tools.

11 • OPAQUE DRAWINGS on translucent cloth or paper can be reproduced on an ink stencil duplicator when transferred by a new photo-chemical portable printer. Time to prepare stencil is usually about 20 minutes.

12 • FOR "BRIGHT NICKEL" plating there is a new tank-

lining material which stands the elevated temperatures and organic "anti-pitters." It is an improved rubber product.

13 • A GLOVE for electricians is shaped to fit the hand. It is made by depositing latex on a form, gives good protection and tensile strength.

14 • A SMALL wind velocity indicator, pocket-sized, can be used by yachtsmen, aviators, rangers. It is non-magnetic, rust and corrosion resistant. It is housed in a sturdy plastic case to withstand dropping, dampness, and sea water.

15 • FOR CONVENTIONAL, 1000 watt floodlights there is now a removable inner reflector unit of high reflecting power which can be easily removed and cleaned with soap and water.

16 • A PORTABLE odor absorber employing the principle of the ordinary gas mask is now made. It has an electric motor to draw in the foul air, force it through highly activated shell carbon, and return freshened air to the room.

17 • HIGHWAY SIGNS that promote safety are made by a new ingenious control. Two magnetic detectors are used—when the motorist passes the first the sign lights up, at the second his relative speed is shown on the board.

18 • A SIMPLE METHOD for determining temperatures in the shop in the "black heat" range is by pellets that are graduated to melt at different temperatures. They are available for temperature intervals of 50 degrees Fahrenheit. They are not corrosive to metals nor do they leave stains not easily removed.

19 • A PAINT REMOVER has the double feature of not burning or exploding and of not leaving a wax film after the coating is removed. It is almost water-white, removes paint, lacquers, enamels, does not injure fine woods.

20 • A NEW CHEMICALLY treated paper is designed to change color at a fixed temperature thus giving positive indication that the surface to which it is attached has reached that heat. It can be made for several temperature limits.

21 • A NEW ICE CREAM cabinet has doors that roll open at a slight touch and give greater accessibility, more visibility, and better possibilities for sales promotion.

22 • AN INK STAND for draftsmen that serves as a handy pen filler is now made. Pressing a lever removes the stopper and raises a filling loop. It is operated by one hand. The loop is adjustable for height.

23 • FOR AUTOMOBILES there is a novel gadget which is said to increase efficiency by collecting and vaporizing the droplets of gasoline in the intake manifold.

24 • A NEW AIR circulator designed to be set on a table draws the cool, lower air upward and distributes it against a deflector plate so that everyone around the table receives a cool, natural breeze.

—W. L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.



25 • GOLD-COLORED aluminum foil quilted into a flexible material is now available. It has been made into bags, belts, boleros, calottes—all lightweight, untarnishable, and stain-proof.



Just touch it without removing your hand from the steering wheel...



Feel a hidden power cylinder supply 80 per cent of the shifting effort—automatically . . .

Sit back and let the gearshift do the work for you—instead of having to shift for yourself!

Only Chevrolet has this Exclusive Vacuum-Power Shift—80% automatic—only 20% driver effort. You won't find it on any other motor car, regardless of price!

"THE GREATEST ADVANCE SINCE THE SELF-STARTER"

**Eye It.. Try It..
Buy It!**

"CHEVROLET'S FIRST AGAIN!"

*Can you do this
with your steering
column gearshift
?*



A GENERAL MOTORS VALUE



NOWHERE ELSE—FEATURES LIKE THESE!
NEW "ROYAL CLIPPER" STYLING • BIGGER INSIDE AND OUTSIDE • NEW FULL-VISION BODIES BY FISHER • "THE RIDE ROYAL"—Chevrolet's Perfected Knee-Action Riding System† • PERFECTED HYDRAULIC BRAKES • ALL-SILENT SYNCRO-MESH TRANSMISSION • LARGER TIPTOE-MATIC CLUTCH • NEW SEALED BEAM HEADLIGHTS WITH SEPARATE PARKING LIGHTS • IMPROVED SHOCKPROOF STEERING† • NEW CRYSTAL-CLEAR SAFETY PLATE GLASS
†On Special De Luxe and Master De Luxe Series

85-H.P. VALVE-IN-HEAD SIX
\$659 AND UP, at Flint, Michigan.
Transportation based on rail rates, state and local taxes (if any), optional equipment and accessories—extra. Prices subject to change without notice. Bumper guards—extra on Master 85 Series.

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICHIGAN



**When America travels,
these floors take
the traffic . . .**



Motorists Get a Warm Welcome from the custom floor of Armstrong's Linoleum in this Pure Oil Service Station, Brooklyn, N. Y. Despite heavy traffic, a floor like this is the easiest of all floors to keep clean.

Bus Floors Have to Take It. That's why C. D. Beck & Company, Sidney, Ohio, chose Armstrong Floors for their coaches.



Valuable advertising space is provided by this clever Armstrong Floor in the San Francisco ticket office of United Air Lines. Why not let your floors help advertise the products or service you sell? Your local linoleum dealer can show you how inexpensively your *own* trademark, monogram, or special design can be reproduced in a modern floor of Armstrong's Linoleum.

ARMSTRONG'S LINOLEUM FLOORS

Custom Laid or (A) Standard Designs

Let Us Send You our new color-illustrated book, "BETTER FLOORS FOR BETTER BUSINESS." It shows how others are boosting business with floors that stop the eye and start the sale. Sent free (40¢ outside U. S. A.). Armstrong Cork Company, Floor Div., 4003 Coral Street, Lancaster, Pa. (Makers of cork products since 1860)

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RUBBER TILE • ARMSTRONG'S LINOWALL and ARMSTRONG'S QUAKER RUGS

Trade Pacts—Bane or Blessing?

(Continued from page 17)

ence will be greatly weakened if this government becomes a dog in the manger of trade selfishness.

The establishment of sound international trade relations will be a basic problem of postwar reconstruction, Secretary Hull points out. The Administration hopes to use the trade agreements authority to heal the economic wounds of the war. Though more than reciprocal trade pacts is needed to beat swords into ploughshares, failure of Congress to extend the Act, according to its proponents, will mean that the United States has given up its fight against the narrow nationalism that has been the cause of so many of the world's economic ills.

If the authority is not extended, the only alternative will be a return to the old "log-rolling" tariffs, friends of the Hull pacts insist. The present program, they say, is a scientific method of tariff making.

Said Secretary Hull in his address before the American Farm Bureau Federation at Chicago, December 5:

To sum up, the case for trade agreements comes down to the simple proposition that, by reducing excessive and unreasonable tariff barriers and inducing other countries to do likewise, thus permitting a healthy growth of mutually advantageous trade, we greatly enlarge the purchasing power and the market outlets for our farm, and other surpluses, both at home and abroad, to the benefit of American agriculture, industry and labor.

Farmer-labor opposition

ORGANIZED labor and the farmers are two important groups opposing an extension of the trade authority. Labor argues that it is inconsistent for the Government to lift American wages and shorten working hours, thereby automatically increasing the cost of domestic production, and, at the same time, encourage the distribution in America of foreign goods.

The farm argument stresses a similar inconsistency and contradiction in government policies. Said Sen. Arthur Capper of Kansas:

When you increase imports of farm products into a domestic market already oversupplied, you drive the price still further below parity, and this while the federal Treasury is pouring out billions of dollars in the attempt to bring parity prices to the farmers. In the open market, the lowest offer sets the price.

Appearing before the Ways and Means Committee January 25, L. J. Taber, Master of the National Grange, pointed out that rates have already been reduced on more than 200 items coming under the agricultural schedule. The agreements so far negotiated have been of little benefit to our major export crops, according to critics of the Hull program. The American farmer is entitled to the full American market but, because of the trade

treaties, they charge, he is losing the American market.

Administration officials hotly deny that agricultural imports have hurt the American farmer, and cite figures to prove that non-competitive products represent the bulk of recent increases in agricultural imports. By the end of 1932, farm cash income had declined from a peak of \$11,200,000,000 to \$4,700,000,000. By 1938, after four years of the trade agreements program, farm income, excluding benefit payments, had risen to \$7,600,000,000. Do these figures indicate that the trade agreements are hurting the American farmer, Mr. Hull asks.

Many industries and trade groups oppose extension of the reciprocal tariff Act. There is no unanimity of opinion among trade pact foes as to an alternative. The National Association of Manufacturers, for example, proposes that future agreements be made only on a bilateral basis, that they be based upon the findings of a non-partisan scientific fact-finding committee, and that they be approved by the Senate.

As a substitute for the present system, the American Tariff League suggests that Congress fix the base on which tariff rates would be established, leaving to a non-partisan, non-political body the actual job of rate-making and revisions. Under the League's plan, current rates would be frozen, except for emergencies, until a committee appointed by Congress had decided on the basic factors for fixing tariff rates. Among the basic factors suggested by the League are costs of materials and labor and taxes.

In answering the peace argument upon which the Administration has placed so great stress, opponents point out that the international competition for export markets itself is a prime cause of war. They warn that the United States will face a flood of cheap imports from low-labor cost countries after the war ends in Europe and the 25,000,000 persons now enrolled in the fighting forces, or producing war supplies, have returned to peacetime pursuits.

More than 1,000 tariff rates have already been reduced by the Hull treaties. Through the generalization of reductions, the Administration is now embarking upon a sweeping and drastic downward revision of the tariff, foes of the Hull program charge. In arguing against extension, they stress three other points:

First, Congress passed the Act as an emergency measure, and that no emergency now exists to justify a further extension.

Second, the authority is being used as an instrument for shaping international policy, thus giving the Administration an opportunity to meddle in the affairs of other nations.

Third, the trade agreements program has abrogated a basic principle of the United States tariff law, the principle of flexible tariffs providing for increases or reductions in rates to meet changing conditions.

Many critics insist that Congress, under the Constitution, has no right to delegate to the Executive the power to make reciprocal trade agreements. A trade agreement, they argue further, is essentially a treaty, and therefore, under the Constitution, requires Senate ratification.

KEEP IT ON THE HOUSE ..



...AND OFF THE CHIN

It's the drink—not the bath—that they like to come in for. Good drinking facilities: clear cold water on tap and plenty of clean white cups, build *business* traffic. Put this simple fact to work for you; it's an inexpensive service that pays big dividends. In stores, offices, theaters; anywhere your customers come within the sphere of your hospitality, install unique thrifty AJAX or crisp round, flat bottom AERO. Your own employees, too, appreciate this consideration. AJAX and AERO cups are strong; dispensed from a sanitary container that delivers one cup at a time directly into the hand.

Any type of drinking fountain can easily be equipped so that cups can be used.



AJAX



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SPECIAL OFFER

Send \$1 for handsome metal wall cabinet and a complete filling of cups, shipped prepaid anywhere in the United States. State whether AJAX or AERO. Address Dept. B3, at nearest Division.

AJAX AND AERO Sanitary Paper Drinking Cups

LOGAN DRINKING CUP CO.
68 Prescott Street, Worcester, Mass.

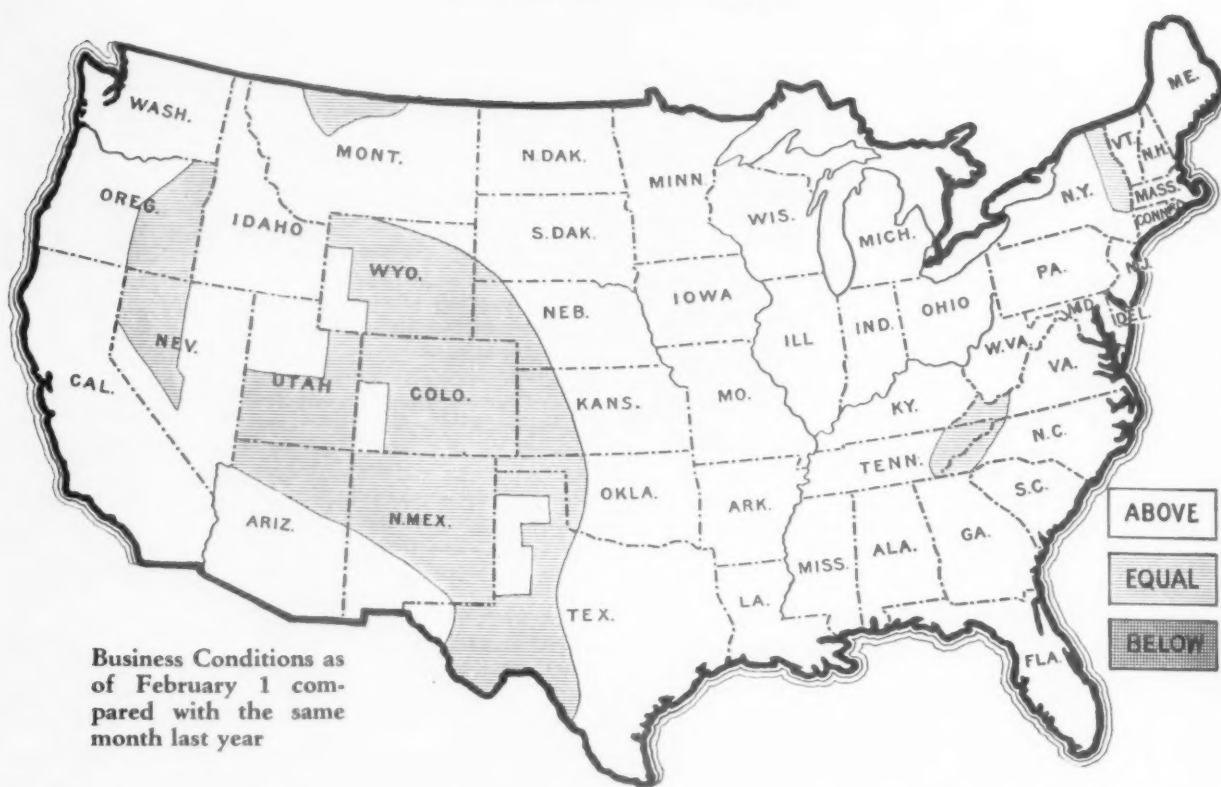
PACIFIC COAST ENVELOPE CO.
416 Second Street, San Francisco

Divisions of United States Envelope Company



The Map of the Nation's Business

By FRANK GREENE

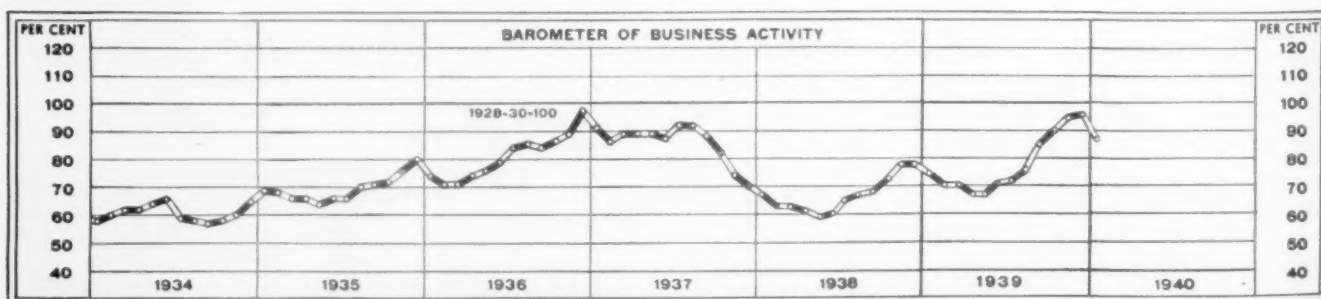


JANUARY saw the industrial pace slacken from the December peak, although the level for the month was the highest for any January on record. Dwindling backlogs reduced steel production to 77 per cent of capacity. Automobile output and sales, however, remained at record levels for January. Capacity operations continued in machine tools, aircraft and ship building, while electricity output held its gains over previous years. Carloadings rose 12 per cent above a year ago.

With transactions the smallest since 1922, security prices relinquished their December advances, while commodity averages dropped to the lowest in two months, with sharp declines in non-ferrous metals, textiles and farm products.

Heavy snows with low temperatures offset in part the rising trend in retail sales and hampered building operations, but stimulated demand for coal and fuel oil. Engineering awards dropped sharply under last year, reflecting less public but greater private construction.

The Map shows little change as trade conditions generally held well above a year ago despite storms in many sections of the country



Curtailment in industrial operations during January, contrary to the usual seasonal trend, resulted in a sharp reversal of the Business Activity chart line to the lowest level since last October

MAN TO MAN in the MONEY MARKETS

By CLIFFORD B. REEVES

Has the Need for Capital Ended?

INVESTMENT bankers, whose job is to supply business and industry with new capital, read with great interest and some trepidation the recent article by Stuart Chase in *Harper's*, entitled "Capital Not Wanted." Its thesis was that America has reached its economic maturity, and that business hereafter will largely finance any necessary expansion out of earnings, thereby relegating investment bankers to the limbo.

It's all being done, says Mr. Chase, not with mirrors, but through the application of depreciation reserves. Corporations are charging off their fixed properties so rapidly, he says, they are creating reserves sufficient to take care of necessary replacement and expansion without outside financing.

Now Mr. Chase is a trained accountant, as well as an economist; and it seems strange that he should not realize that charges to depreciation are not cash items at all, but mere bookkeeping. Corporations charge depreciation against their earnings, to be sure; but rarely if ever are depreciation reserves held in cash and earmarked for exclusive use in plant replacement or expansion.

And, even more important, depreciation can be charged against deficits as well as earnings—and it frequently is. The balance sheet of nearly any industrial corporation that goes bankrupt shows large "reserves for depreciation."

The true fact is that charges for depreciation simply keep existing assets from being carried on the books at inflated values as they grow older; they do not assure a cash fund for future replacement or expansion. The cash equivalent of this year's depreciation reserve may go into next year's operating losses, and not into new bricks and mortar ten years from now.

To support his contention that industry is becoming independent of the capital markets, Mr. Chase cites the

self-sufficiency of General Motors, U. S. Steel, and General Electric, three of the country's richest corporations, over a 20-year period, half of which has been a time of depression when little plant expansion was necessary!

He says, however, that such is likely to be the general situation from now on, because America has matured and is unlikely to enjoy a rapidly expanding economy in the future.

This philosophy of despair has been voiced in every major depression in the past 130 years. The originator of the idea seems to have been a Swiss economist named Sismondi, who advanced the theory that economic progress was at an end back in 1819. The demands for new capital created by the development of railroads and steamships shortly thereafter made him look pretty silly.

Grover Cleveland's Secretary of Labor, before the turn of the present century, thought we were at the end of our economic rope. Of course, he couldn't be expected to foresee the automotive industry, which now accounts directly or indirectly for the employment of one out of every ten persons employed in this country; or the telephone industry, or many others then undreamed of, that subsequently developed into giants.

An eminent group of American economists issued the same solemn warning in 1922, after the short-lived post-war depression. And now, in 1940, Stuart Chase adds his voice to the age-old chorus.

A man must presume omniscience when he dares to predict that the human race has reached the limit of its ingenuity in improving its own welfare! Such apostles of doom have always been wrong. Each depression has been conquered by new capital investment needed for development of new industries and expansion of old. Maybe the reason this particular depression hasn't been conquered yet is because of Government interference with the natural processes that have always brought recovery in the past. Perhaps it's time now to let private

capital and private enterprise show what they can do unhampered.

Misinformation About Exchange

THE SURVEY of public opinion recently completed by the New York Stock Exchange revealed that 8.7 per cent of those interviewed thought that live stock could be bought and sold on the floor of the Exchange, while 26 per cent didn't know whether that was true or not. 24.2 per cent were certain that grain could be bought and sold there, and only 50.9 per cent knew that this was not so. Such misconceptions of the business and functions of the Exchange were typical of the public's appalling misinformation regarding the country's largest financial institution.

Some 23.5 per cent of those interviewed said it was their belief that the prices at which stocks sell are set by the men who run the Exchange. Only 43.2 per cent knew that this was false; 39.9 per cent think that, when the public loses money in stocks, the New York Stock Exchange makes a profit. Only 30.2 per cent were certain that this was not so.

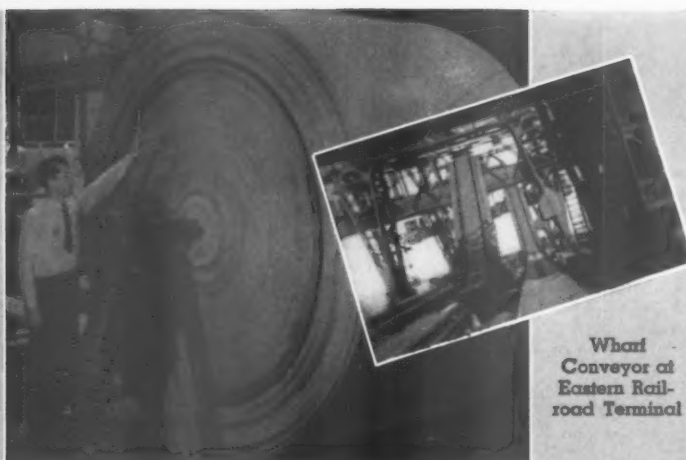
Only 25 per cent believed that the small buyer on the Stock Exchange gets the same treatment as the large buyer; 45.3 per cent were sure that this is not the case; 42.4 per cent held the opinion that the people who control the Exchange also control "practically all Big Business in America." Only 18.4 per cent knew for certain that the Exchange does not, for itself, buy or sell anything. As compared with this group, 40.6 per cent said that it did, and the balance did not know.

Some 60 per cent said that anyone who buys bonds or stock is speculating, and 52.1 per cent of those interviewed said that speculation and gambling are the same thing.

The investment preferences of those interviewed showed that 23.6 per cent, if they had money to invest, would place it in real estate. Government bonds were the second most popular choice, being preferred by 17.9 per cent. Only 11.6 per cent favored stocks as an investment medium.

More than 53 per cent felt that the Exchange was a necessary institution; 22 per cent said they knew nothing and cared nothing about it, while nearly five per cent felt that it was a useless institution and should be abolished entirely. Of the 53.2 per cent who agreed that the Exchange served a useful function, 13.6 per cent said it has been a well run institution; 26.8 per cent thought that it has done many things it should not have done, but is still needed, and 13.2 per cent said it could be a useful institution,

Section of
Conveyor Belt
used at Grand
Coulee Dam



Wharf
Conveyor at
Eastern Rail-
road Terminal

Republic Conveyor Belting

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● High haulage costs—traceable, in part, to premature Conveyor Belt wear or failure—have prompted more than one purchaser of this type of equipment to dig deeper into his bag of tricks for a better answer to the operating economy problem. Many of them come up with Republic Conveyor Belting as the solution—to cut costs... save money... by long, uninterrupted service in materials handling. Republic Conveyor Belting is fully de-

signed for such performance. The men responsible for its balanced construction have had years of experience in determining the most serviceable combination of materials and design for all... usual or unusual... working conditions. All Republic Conveyor Belting is Provar Processed—permanently treated against the destructive action of mildew. Republic Rubber Division of Lee Rubber and Tire Corporation, Youngstown, Ohio.

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but won't be until drastic changes are made in it.

In reviewing the results of the survey, which was conducted by Elmo Roper, the Exchange, in its official magazine, states that the need for dissemination of more information on all phases of the work and services of the Exchange is conclusively indicated.

A "Little S.E.C." Proposed for N.Y. HARASSED security dealers in New York, already suffering from Washington

bureaucracy, are up in arms over the bill recently introduced in the New York State Assembly by Robert F. Wagner, Jr., proposing a "Little S.E.C." for New York State.

The bill calls for a three-man Commission, whose salaries will total \$32,000 annually, and a complete corps of field investigators and accountants, which will duplicate similar S.E.C. personnel. It also requires a \$10,000 compliance bond for all dealers and registration fees for dealers, as well as their salesmen and traders. Investment dealers see in this type of proposed legislation the threat that there may some day be 48 state S.E.C.'s as well as one in Washington.

State laws regulating the sale of securities are of three types. Some states qualify the dealer; others qualify the security; and still others, including New York, have what is known as the "injunctive" type of securities law. Under this latter type of law, the emphasis is placed on punishment for wrongdoing.

Not only are sales enjoined but criminal prosecution immediately instituted. New York State, operating under a law of this type, is known as the most dangerous state in which to engage in fraudulent securities operations.

John J. Bennett, Jr., Attorney General of New York State, whose office has done such an excellent job of ridding the state of crooked security dealers, is strongly in favor of the injunctive law under which New York now operates, as opposed to the commission type of regulation now being proposed.

In a speech before the Eastern Group of the National Association of Security Commissioners in 1937 Mr. Bennett said:

Experience disclosed that qualifying a dealer afforded the public little protection from the swindler who had sufficient money to engage a "front man." This "front man" would qualify for the license and thereafter act for his undisclosed principal, the swindler. Likewise, experience showed that, when a security was qualified, there was no assurance that the original high quality of the security would remain unchanged...

The New York law and its enforcement

have never been criticized as a hindrance to legitimate financing. . . . It has been the theory of the New York law that the state owed some duty to encourage and protect honest financing rather than to impede or abolish it. . . . And let me say here and now, despite some opinion to the contrary, that the majority of security dealers are decent, honest and respectable citizens who have contributed largely to the financial growth of our state. . . .

The Securities and Exchange Commission is national in scope. Junior, or state, Securities Exchange Commissions, to my mind, would add no additional protection to investors, serve no useful purpose, and merely result in costly duplication of effort and work, and in further restrictions to the free flow of capital to business throughout the nation.

Advertising the Stock Exchange

MOST members of the New York Stock Exchange feel that the present administration of the Exchange has done an excellent job in instituting needed reforms and in offsetting the operating deficits of the Exchange itself. The reduction of losses, however, has been accomplished through economies and shrinkage, rather than through the promotion of new business that would bring both the Exchange and its members greater income.

To reduce its expenses and bring its budget nearer to balance, the Exchange recently sold its safe deposit facilities to outside banking interests, and is also reported to be seeking a buyer for some of its other real estate, in order to obtain relief from its high taxes.

Many member houses now feel that the time has come for the Exchange to undertake a campaign to develop wider public interest in listed securities, as opposed to other forms of saving and investment. Most brokers regard the recent trading volume as far below the normal investment business that might reasonably be expected in a country of such wealth and size. Trading volume in January was the smallest for any January in the past 18 years.

It was hoped that the advertising campaign that the Exchange was recently considering might be the first important step in a program to develop stock exchange business. But after months of discussion, it looks as if the advertising effort may never see the light of day.

People unacquainted with stock exchange business are frequently amazed that the Exchange seems unable to get such a simple public relations effort as this under way.

Such people, of course, fail to realize that the business done by members of the exchange is not just a single unified activity, but many different types of business, involving frequent conflicts of interest. This makes it extremely difficult for the



Are you bellhop or executive?

Just because you have a secretary and a big desk, don't be so sure that you are an executive. The real difference between a bellhop and an executive is that one spends all his time doing little things—the other keeps clear of them with an Ediphone.

Dates, memoranda, ideas, personal reminders, letters and instructions—they can make a bellhop out of the best executive.

The idea is to let the Ediphone take care of the irksome work. Instead of letting a thing mill around in your mind, just pick up the Ediphone receiver...speak your mind

...and forget it! You won't work so hard. And you'll get more done. Clear heads think faster!

P.S. Your secretary will be all in favor of the way the Ediphone frees her from shorthand and enables her to work without interruption. See the New Streamlined Ediphone—just out! Right now, telephone the Ediphone (your city) or write to Dept. N3, Thomas A. Edison, Inc., West Orange, N. J. In Canada, Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.



New! Smaller!
Streamlined!

SAY IT TO THE

Ediphone

EDISON VOICEWRITER



UNCLE SAM INVESTS \$35,000,000 IN METROPOLITAN OAKLAND AREA

WHEN the United States Government puts its \$35,000,000 seal of approval on a community it means something.

When such approval covers not merely one project, but *four*, it is still more significant.

The \$15,000,000 Naval Air Base . . . the \$15,000,000 Naval Supply Depot across the Inner Harbor . . . the \$3,000,000 Government Island establishment with its Coast Guard and other government services . . . plus the \$2,000,000 Department of Agriculture Research Laboratory . . .

Such varied and important projects speak volumes for the advantages and resources of the Metropolitan Oakland Area.

The long experience of the western plants of more than 150 eastern manufacturers confirms Uncle Sam's judgment, additional evidence that

IT PAYS TO MANUFACTURE IN THE WEST TO SERVE THE WEST . . . and that it pays *best* when located in the Metropolitan Oakland Area. Let us show how you can make *your* western operation more profitable. Our *Industrial Booklet* gives facts, figures, photographs.

A *Special Survey*, strictly confidential and directly applied to your operation, will be prepared without cost or obligation.

And we will help make an *On-the-Ground Study* of local conditions and sites. Write for booklet.

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METROPOLITAN OAKLAND AREA CALIFORNIA



★Alameda, Albany, Berkeley, Emeryville, Hayward, Oakland, Piedmont, San Leandro, and the Rural Communities of Alameda County—over half a million population.

The NATURAL INDUSTRIAL CENTER of the WEST

Exchange to say anything that will satisfy all factions involved.

The big "wire house" with offices all over the country serving thousands of small investors has interests vastly different from those of the small local brokerage house that serves a limited number of wealthy traders. The interests of bond brokers and stock brokers may be at variance, while floor traders and specialists may have little in common with one another or with other types of brokers.

More Government in Business

AFTER six years' experience under the Securities Act, it has become evident that small

and medium-sized businesses have simply dropped out of the picture so far as public financing is concerned. Issues below \$5,000,000 in size have been few in number, and issues of less than \$500,000 have been so rare as to qualify as novelties.

One important reason for this condition is that small companies find it far too costly to register small issues under the Securities Act. The cost of registration and underwriting is so great in relation to the amount of such an issue that the whole procedure is often unfeasible.

One obvious way to correct this undesirable situation, which has effectively closed the capital markets to the small corporation, would be to raise the size limit on issues exempted from registration.

Issues of \$100,000 or less do not have to be registered now; and this exemption might be raised to \$500,000 or even \$1,000,000. Or issues of that size might be registered under some abbreviated and less costly procedure that would keep expense within reasonable bounds.

To accomplish this, however, it would be necessary to revise the Securities Act itself; and the S.E.C., although it recognizes the need for giving small corporations greater access to the capital markets, is apparently unwilling to see the Securities Act opened up for revision, probably fearing that many other changes would also be made.

So instead, Jerome Frank, Chairman of the Commission, is advocating a new type of government agency whose function would be to supply small business with long term capital, thus taking the whole matter out of private channels and placing it with the Government.

The way to transfer private business activities to federal auspices is to pass a law that makes it impossible for private agencies to function, then complain about it and say that, if business won't live up to its obliga-

- FEDERAL DEVELOPMENTS ON OAKLAND INNER HARBOR:
- (1) \$15,000,000 Naval Air Base, 2004 acres, now under construction.
 - (2) Here will be built the 392 acre, \$15,000,000 Naval Supply Base for the Pacific Coast.
 - (3) On Government Island are the Coast Guard, Forest Service Supply Depot, Bureau of Public Roads, and Maritime Training Service.

tions, the Government must step in and do the job.

The possibilities for political control of private business that are inherent in this particular plan are, of course, alluring to many politicians.

Recent Trends in Utility Financing

A NUMBER of interesting trends in utility financing were revealed by a report recently made by the Public Utilities Division of the S.E.C. covering 340 separate issues, totalling \$4,800,000,000, that were registered with the Commission by gas and electric utilities in the years 1935-9.

The average coupon rate on utility bonds offered during 1939 was 3.45 per cent, just a shade below the figure of 3.46 per cent for 1938, and the lowest for any year on record. The volume of utility financing done in 1939 was \$879,000,000, which was the smallest for any of the five years covered by the study, except 1936.

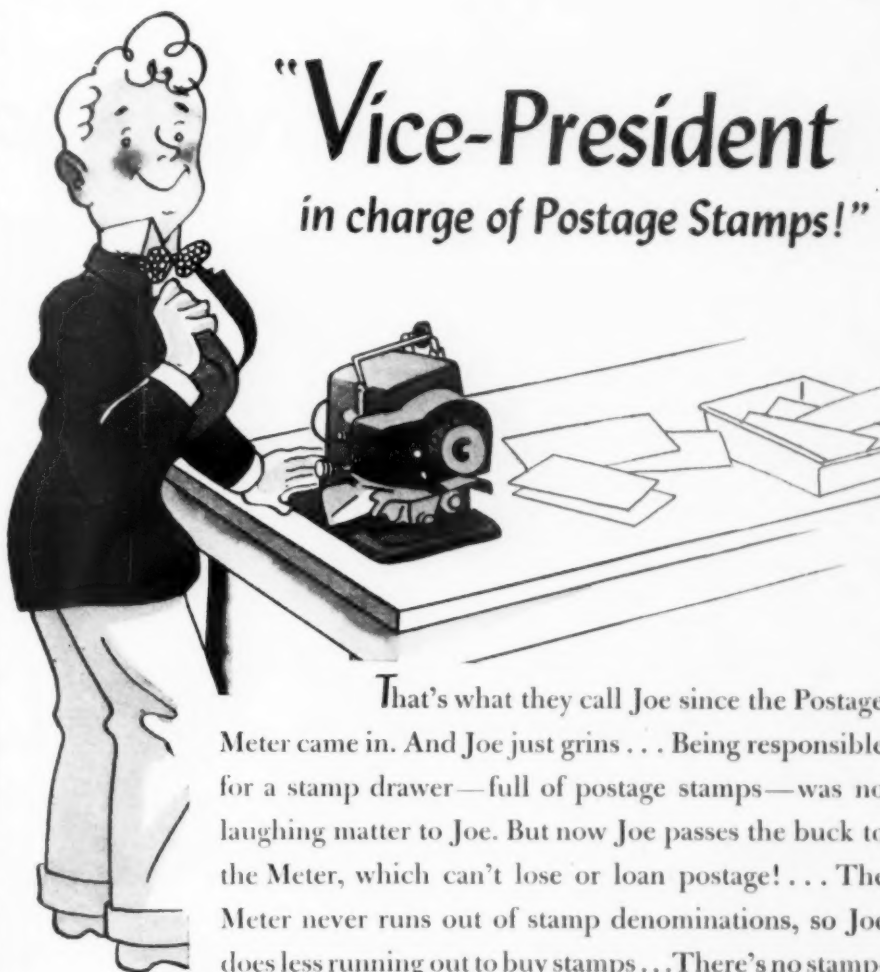
Significant also was the further decline in underwriting commissions in 1939. Underwriting spreads last year ranged chiefly from 1½ per cent to four per cent, depending on the size and investment quality of the issues. For sizable, well-known issues, a two per cent underwriting commission was the usual rule. Such a narrow spread undoubtedly left investment bankers little net profit after the costs of investigation, registration and distribution—not to speak of the risks involved.

The study also showed that, in 1939, a larger proportion of issues was placed privately than ever before.

Most significant of all, perhaps, was the fact that only four issues of common stock have been offered by utility companies in the past five years, and no common stock issues at all in the past two years, although many companies sorely need new equity money. This absence of stock issues is due primarily to the reluctance of investors to buy utility stocks because of the Government's belligerent attitude toward the industry and the threat of further Government competition.

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"Vice-President in charge of Postage Stamps!"

That's what they call Joe since the Postage Meter came in. And Joe just grins . . . Being responsible for a stamp drawer—full of postage stamps—was no laughing matter to Joe. But now Joe passes the buck to the Meter, which can't lose or loan postage! . . . The Meter never runs out of stamp denominations, so Joe does less running out to buy stamps . . . There's no stamp-sticking, because the Meter *prints* stamps—any value of stamps, for any kind of mail . . . and also seals envelopes at the same time—much faster than Joe ever did . . . The Meter even keeps its own records of postage on hand, postage used, pieces mailed; so the postage account is a cinch . . . The office mail gets out earlier. The office boy gets out earlier. And Metered Mail, already postmarked, gets out of the postoffice earlier . . . The Postage Meter saves postage, time and worry.

Whether or not your office has a Vice-President in charge of Postage Stamps . . . you need a Pitney-Bowes Postage Meter. There's a model for every business, large or small. Call our nearest office for a demonstration in your office, on your mail . . . soon!

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IN CANADA: The Canadian Postage Meters & Machines Co., Ltd.



Producing Good Will on a

By CHARLES R. SMITH

AN APPLICATION for a \$2,500,000 P.W.A. grant to build a toll bridge across the Missouri River between Omaha, Neb., and Council Bluffs, Iowa, was under consideration in Washington a few months ago. Representatives of labor organizations and private corporations as well as politically powerful individuals urged approval.

Then came a surprise. The application was opposed! The spokesman for the opposition said he represented 6,600 business and professional men of Omaha who were members of the Knights of Ak-Sar-Ben.

"We've been trying to get a toll free bridge for the past 25 years," he said. "In this time more than \$10,000,000 in tolls has been collected from the people in our two cities and trade territory and \$1,000,000 more from tourists. We now have two toll bridges within five miles of each other and a third is as unnecessary as a fifth wheel on a wagon."

"You mean to say Omaha business men don't want this money?" asked an incredulous P.W.A.'er.

"Not for another toll bridge. Approve this application and it will take

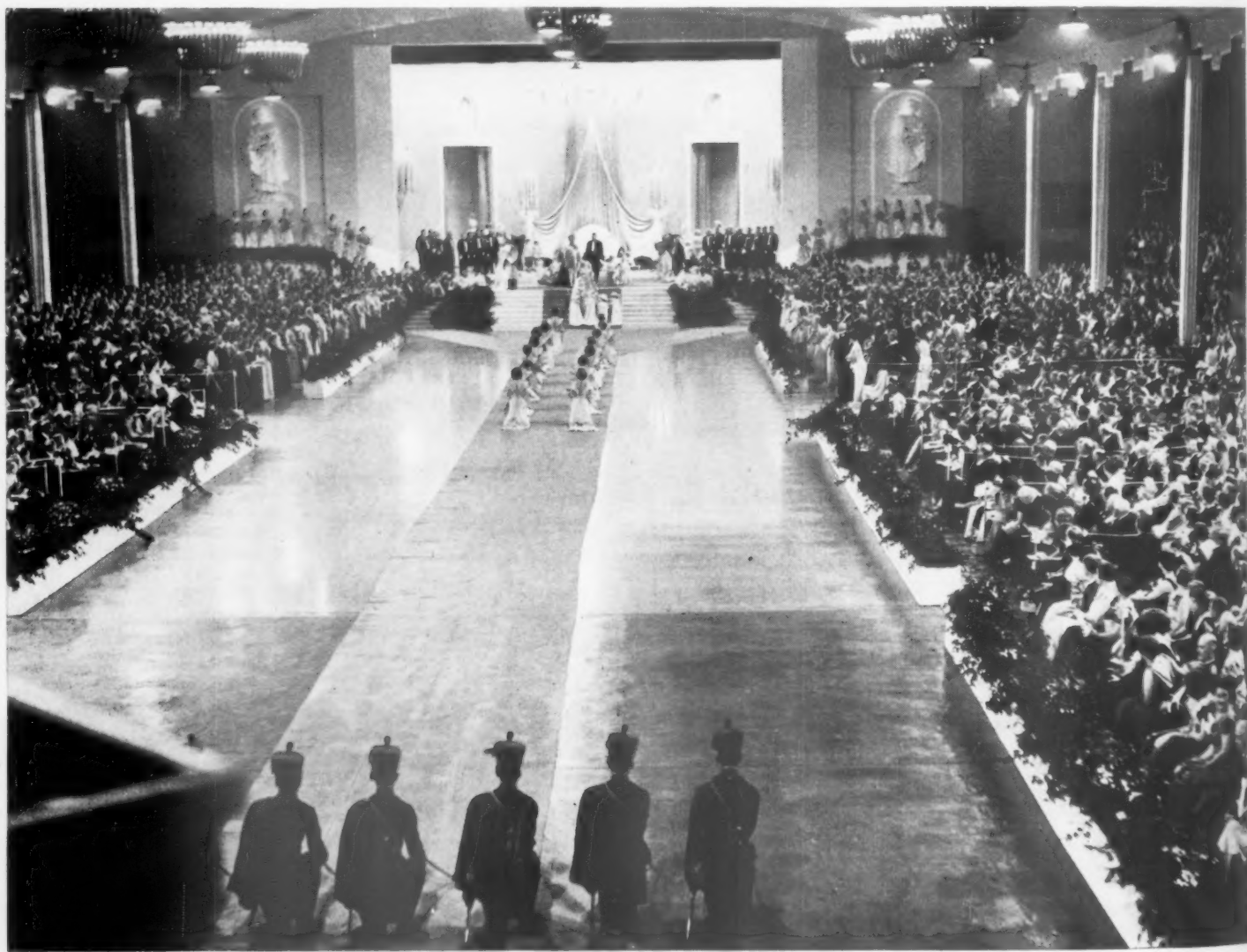
us 15 or 20 years to lift the debt. Reject it and Ak-Sar-Ben will have both bridges free in less than ten. Read this."

"This" was an announcement by the Governors of Ak-Sar-Ben dated June 23, 1938.

You have read in the press that Ak-Sar-Ben bought Douglas Street Bridge for \$2,350,000.

Ak-Sar-Ben will take title to the bridge for the benefit of the public. Tolls will retire the purchase price in a comparatively short time. We believe the bridge will pay for itself in six years.

Ak-Sar-Ben will deed the bridge to the



The Knights of Ak-Sar-Ben and their ladies assemble to witness the coronation of a new King of Quivera

Quantity Basis

OMAHA'S unique organization of civic boosters has turned its hand to many odd jobs, always with the best interests of the community in mind



A 4-H girl leads her prize winning beef into the ring

City of Omaha at any time or to the states of Nebraska and Iowa or either of them as may be deemed best. There will be no cost to the city or the states.

There is no financial obligation of any kind to the Knights of Ak-Sar-Ben as an organization, to any individual Knight or to any officer. The entire negotiation has been accomplished without a penny of expense. Also without profit.

"But this announcement refers to only one bridge," commented a government official.

"When Ak-Sar-Ben bridge is paid for, the tolls will be diverted to retire the debt on the other. Both will be free at the same time."

The application was denied and there was wailing, weeping and gnashing of teeth in some Omaha quarters. Politicians, particularly, were a disconsolate lot. The free bridge issue long had been a convenient smoke screen and the bridge purchase had knocked some of their plans into a cocked hat.



The 45th King of Quivera, Ford E. Hovey. Left, Queen Frances Gordon in her coronation robes



In middle-western financial circles it is known that an eastern bond house offered Ak-Sar-Ben \$500,000 quick profit for the purchase contract and its representatives called Ak-Sar-Ben governors "a bunch of idealistic nitwits" when the offer was refused.

One wonders what kind of an organization it is whose officers buy a toll bridge, refuse \$500,000 profit, oppose \$2,500,000 of government largess and thumb their collective noses at politicians, capital and labor. The Knights of Ak-Sar-Ben! What do they do?

Their activities result in a gross revenue of approximately \$5,000,000 annually and every cent of profit is invested in projects to foster good will for Omaha and to develop the industrial and agricultural resources of the Missouri Valley.

They own Ak-Sar-Ben Field, which is really a gigantic fun factory, and is valued at \$1,500,000.

They sponsor the largest exclusive 4-H Club livestock show in the world.

They hold a horse show which ranks

THE HEYN STUDIO

second only to the American Royal of Kansas City.

They produce a home talent comic opera and its seven performances each year are witnessed by 50,000 invited guests.

They conduct a 30 day racing meet each spring at which 700 thoroughbreds race for \$150,000 in purses.

They bring famous musicians, orchestras and entertainers to the Middle West for the benefit of various charitable enterprises. Paderewski, Rubinoff, Rudy Vallée, Fibber McGee and Molly are a few of those who played to crowded houses in 1939.

Who are they? Forty-five years ago they were organized as trade boosters. Today, theirs is probably the only organization of its kind in the world. It is incorporated under the laws of Nebraska as a non-profit organization whose sole purpose is community betterment. Any Omaha business or professional man is eligible for membership regardless of race, creed, color or politics.

Each member pays \$10 a year for the privilege of being dubbed "Sir Knight" and when 6,600 memberships are registered, the lists are closed. It's first come, first served.

One fall day in 1894 the chairman of the State Fair Board summoned a group of Omaha business men to a meeting. Shuttle trains were bringing thousands of people from the fair grounds to the downtown district. Tired men and women with crying children clinging to their hands wandered about the streets waiting for trains to take them to their out-state homes.

Pointing out of the window at the crowds the chairman issued an ultimatum.

"You fellows will have to provide evening entertainment during the next fair or we'll move it to another town."

More entertainment needed

"WHAT do you mean, entertainment? Why should we provide it?" countered one of the merchants.

"The saloons, gambling houses and honky-tonks are doing a rushing business but these people can only wait for train time. Go out on the street and listen to them," suggested the chairman. "They're beginning to hate your town. They're calling you selfish, grasping, swell-headed because Omaha happens to be the largest city in the trade territory. Remember they made it so and they can break it just as easily."

The men in the room realized there was truth to the indictment. They and their fathers before them had helped build Omaha from a sprawling ferry terminal to an important railroad center, livestock and wholesale market.

Here for the first time was a threat against the future. The loss of the fair would be a severe setback.

"What can we do? What do they want?"

"That's your problem," was the reply. "Remember, entertainment or else."

Several conferences were arranged to which other Omaha men were invited. All agreed that whatever was done had to be spectacular, large enough to encompass the shopping district and it had to be free. Finally it was decided to hold a Harvest Festival climaxed by a night parade.

"It will take a lot of money, publicity and organization," protested a conservative merchant.

"It's worth it. We'll form a company, a sort of trade booster outfit."

"We'll have to call it something," broke in another member of the group. "Why not reverse the name of the state? Nebraska spelled backward is Ak-Sar-Ben. We're to save the Fair for Omaha so we'll be Knights of Ak-Sar-Ben."

For several months before the 1895 Fair, newspaper advertisements, post-



The Madison Square Garden of the Middle West, part of Ak-Sar-Ben's \$1,500,000 fun plant



Some of the 1,045 baby beeves and their 4-H Club owners at the 1939 livestock show

ers and personal letters spread the story of the Festival. On parade night Omaha streets were crowded with people "ohing" and "ahing" as for the first time anywhere gigantic, electrically lighted floats built on flat cars moved slowly along the street car tracks. Each float depicted some historical scene and was authentic in detail. No one thought of going home until it was over.

"What about next year? Will there be another parade? Will it be different?"

The Knights of Ak-Sar-Ben sensed a changed attitude among the out-staters as they asked these questions. They liked it but realized, too, that a permanent organization was essential.

Building for permanence

THE last decade of the Nineteenth Century was a "joiners" paradise. A man's popularity often was judged by the number of passwords he knew or the string of lodge buttons on his lapel. The founders of Ak-Sar-Ben decided that a ritualistic civic body dedicated to community betterment and winning the good will of the people in the trade territory would be something different and appeal to the imagination. To that decision 45 years ago Ak-Sar-Ben owes its permanency.

A committee was appointed to work out the details and prepare a ritual. They studied the history of Coronado's expedition in 1541 when he was searching for the Kingdom of Quivera. Coronado's letters indicated he had reached a point a few miles south of Omaha near the junction of the Missouri and Platte rivers and which he described as a "vast region rich in treasure."

The ritual writers created a mythical kingdom of Quivera embracing all of the Missouri and Platte valleys, ruled by a king and queen to be crowned each year and whose subjects would be known as Knights of Ak-Sar-Ben. These Knights were to be initiated into the service of the empire in elaborate fashion.

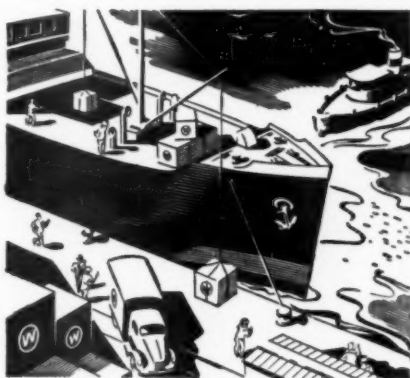
The initiation ceremony has developed into a unique free show. Combining all of the hokum of a college fraternity hell week and the solemnity of a dignified secret order, it is written into the plot of a home talent comic opera directed by a widely known entrepreneur. Those to be initiated are assigned unrehearsed parts in the play.

Special trains bring invited guests from towns and farms in Iowa, Missouri and Nebraska. Entire communities attend in a body and delegates to conventions in Omaha are always invited. Prominent personages from each group are selected to take part in the ceremony. The sight of a dignified college president, banker, industrial leader or famous athlete dodging knives supposedly thrown by a professional knife thrower, squirming in an electric chair or stumbling uncertainly about the big stage elicits whoops of laughter from the spectators. At the end of the show, impromptu talks are made, everyone present is dubbed "Honorary Knight" and a buffet supper is served. Everything is free, provided by the Knights and it has been termed "good will on a quantity production basis."

The Ak-Sar-Ben Show is produced

Doing Business In 35 Languages

by Westinghouse



They have learned to make change in lira, pesos and shillings as simply as you and I count our change from a dollar bill.

- *To youngsters or oldsters* whose hobby is collecting stamps, the incoming mail department of our export company would very likely prove a paradise.

- *A single day's mail* will bring letters from as many as twenty-five countries. In the course of a year, correspondence is received from practically every country in the world, and it has traveled to us by every conceivable mode of transportation from Tibetan runner to air express. It may be penned in anything from a Chinese ideographic script to just plain American English. More than thirty-five different languages will find their way in and out of the mail basket.

- *No doubt* you have heard many men say that their business "is different." But rarely will you find a business right here in our own country that is as really different as that of our people whose responsibility lies in the shipment and sale of our products abroad.

- *Most of these men* have spent years in the field, in Buenos Aires, Singapore, London, Cape Town. They have sold our products in Spanish, French, Portuguese, Swedish and even more remote tongues.

- *During the past two years* we have run an advertising campaign in 95 newspapers in 41 countries. Each advertisement is translated into 7 different languages. 25 entirely different currencies are used to pay for the newspaper space.

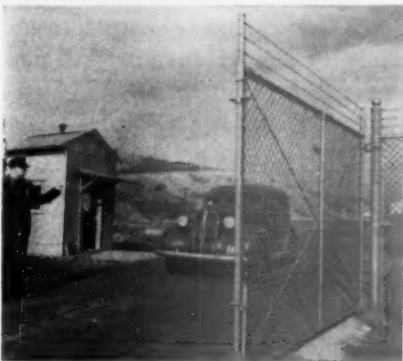
- *Climate also plays* an important part in the distribution of our products throughout the world. For instance, a radio set which is perfectly suitable for sale in the United States must be specially designed and treated to stand up under tropical humidities before it is acceptable to countries near the equator.

- *Another product problem* is that of electric voltage and frequency. Here in the United States 110 volt 60 cycle current is standard almost everywhere, but in export territories these voltages range anywhere from 90 to 380 volts, and from 16½ to 133 cycles.

- *Add to these problems* the complications of the present world strife. But business goes on as ever, and our export people insist that theirs is the most interesting business in the world.

- *All of the products* that we make, from the grain of wheat lamp for doctors to immense turbines for power companies, find their way to the farthest reaches of the globe. American products find a ready market abroad. And the fact that these products sell at higher prices in competition with those locally manufactured is a tribute to American craftsmanship and salesmanship.

Why most plant owners choose Cyclone Fence



MOST buyers usually look beyond first cost and new appearance when ordering equipment as important as fence. Cyclone scores because it has proven its ability to give years and years of trustworthy protection with practically no upkeep cost.

Cyclone Gates are good examples of Cyclone quality. They swing on sturdy ball and socket hinges. The gate frames are so sturdily constructed that warping and sagging are eliminated.

Watch a Cyclone erection crew. You'll notice that these trained men set every post in a concrete base so designed that frost won't budge it. They put expansion joints in all horizontal rails. They stretch the fabric tight and provide extra bracing to corners where the pull is severe. They know their job.

Fence isn't something you buy every day. So get all the facts before you decide. Just drop a line to Cyclone. We'll send you a book that contains a lot of valuable information on fence. And on a word from you we will send an engineer who will help you choose the right fence for your plant. No obligation, of course.

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Please mail me, without obligation, copy of "Your Fence—How to Choose It—How to Use It." I am interested in fencing: ☐ Industrial Property; ☐ Playground; ☐ Residence; ☐ Estate; ☐ School. Approximately.....feet.

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All the facts you want to know about fence. 14 kinds illustrated. This book will help you choose the right fence for your property—business, school or home. Whether you need just a few feet of fence or miles of it, see what Cyclone has to offer. Mail the coupon, today.



CYCLONE FENCE

UNITED STATES STEEL

only seven times each year. The first performance is for Knights. The succeeding six are each witnessed by an average of 7,500 guests. Half a dozen presidents of the United States have been among the guests who enjoyed the initiation ceremony. One direct result of the Ak-Sar-Ben show has been Omaha's choice as host city to national conventions only after the Knights promised to entertain delegates at an initiation ceremony.

In 1935, thirteen directors of the National Flower Show met in Rochester, N. Y., to select a convention city. Many invitations had been received and the advantages of the various cities were discussed. Omaha's invitation included an offer to produce the Ak-Sar-Ben show. Five of the 13 men had at some time or other attended one of these ceremonies and, remembering the fun they had, influenced the others to award the Flower Show to Omaha.

More fun, more revenue

THE Harvest Festival eventually became the lodestone attracting visitors to Omaha during fair week and the State Fair, tired of playing second fiddle, moved to Lincoln. The activities of the Knights in the meantime became more and more varied. Additional revenue was essential and it was decided to go into horse racing.

The Knights dug into their individual pockets for \$750,000, bought a site, built a mile track, stables and a grandstand to seat 15,000 spectators. Parimutuel betting machines were installed and in 1921 the first Ak-Sar-Ben race meet was held. The purses were small, too small to attract many stable owners.

Financially, however, the meet was a success and analysis of the betting revealed a strange paradox: The citizens of Nebraska, one of the original prohibition states and their neighbors in Iowa, Missouri and South Dakota were enthusiastic about the sport of kings.

For the next few years the profits from the parimutuel betting kept Ak-Sar-Ben books out of the red and provided ample funds for the various projects but it was too good to last. In 1927 the first major mishap in 32 years of Ak-Sar-Ben history occurred. Ak-Sar-Ben headquarters, known as the Den, was destroyed by fire. It housed the theater where the shows were held as well as all the physical property the organization had accumulated.

"The Show must go on. What can we do to help?" Hundreds of messages of this kind were received from residents of the trade territory.

"It's our job. We'll do it," answered the Knights and subscribed \$350,000 to build a fireproof coliseum at Ak-Sar-Ben Field. This structure has since become known as the Madison Square Garden of the prairies. In it are held boxing and wrestling bouts, horse shows, livestock shows, bicycle races, theatrical productions, balls and banquets. Recently refrigeration machinery was added and a new sport, ice hockey, came to the Middle West.

On the seventieth anniversary of the completion of the Union Pacific railroad

in April, 1939, it was the scene of a testimonial dinner at which 4,000 guests seated at banquet tables were served in less than half an hour.

Still groggy from the effects of the fire, the Knights ran afoul of the law and came away second best. An out-state attorney was elected state attorney general. Urged by reform groups, he instituted injunction proceedings to halt Ak-Sar-Ben racing, basing his action upon an almost forgotten anti-gambling clause in the state constitution. Parimutuel betting was declared illegal.

For four years grass grew on the racing strip; the empty stables and grandstand were eloquent reminders of the majesty of the law and the Knights were in what is commonly called "a mess." The annual balance sheet was covered with red figures, activities were curtailed, membership fell off and predictions were made that the Knights of Ak-Sar-Ben would have to disband.

The only hope was a renewal of racing and a constitutional amendment approved by the voters of the state was necessary to make it possible. The odds were two to one it could not be done. At this critical point, the value of the good will built up over the preceding years became evident. Offers of support in a campaign for a constitutional amendment to legalize racing were received from every county in the state.

Distributing the profits

SINCE state-wide approval was necessary, Ak-Sar-Ben officials decided state-wide distribution of profits from parimutuel betting was only fair. Investigation disclosed that county fairs were going out of existence because of a lack of funds. In 1934 only 54 counties out of 93 in Nebraska held county fairs and some of these were near bankruptcy.

The influence of the competition in exhibits at these county fairs has had a marked effect upon the type of livestock, grain and vegetables produced on the farms. Each fair is a forum for the interchange of ideas and the exhibition of products. From them have come the entries which later won blue ribbons at state fairs, regional and international exhibitions.

"Save the county fairs" was adopted as a slogan for the amendment campaign and the Knights of Ak-Sar-Ben pledged a substantial part of racing profits for equal division among the counties to pay for premiums, prizes and operating expenses.

The amendment the Nebraska State Legislature was asked to approve for submission to the voters specified parimutuel betting was legal if conducted under the auspices of a state commission by a civic organization and with profits allocated to definite improvement projects. It provided definitely that no individual or private corporation could operate a race track with parimutuel betting for individual profit.

Some opposition was encountered in the legislature but it was quickly squelched when groups of plain spoken Nebraskans called at the state Capitol and conferred with their representatives.

"Sit down and shut up," the legisla-



Seven Dwarfs Do Giant's Work

● Dwarfed by mainline steam locomotives are seven new type Diesel switch engines now at work at the Erie Jersey City Terminal. Small but powerful, these 660- and 1000-horsepower switchers represent the most modern and efficient equipment available.

Through the Jersey City gateway, the Erie handles a goodly portion of New York City's food supply—plus hundreds of other commodities. Car movements must click on clock-work schedules. And they do—thanks to Erie's modern methods and on-their-toes personnel.

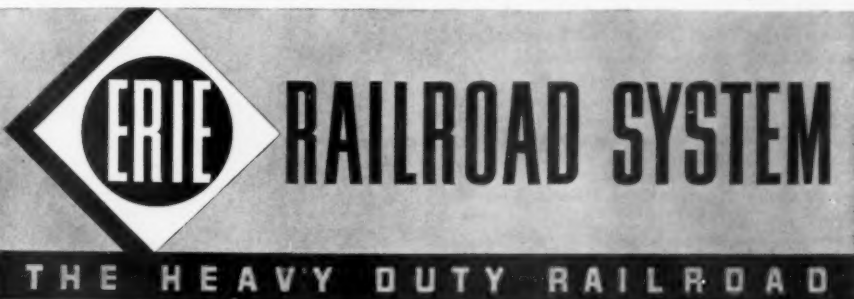
Here is another reason why your shipment will arrive safely and promptly when you ship via Erie, the road that's "First in Freight."

Travel the Scenic Erie

... between New York, Binghamton, Elmira, Buffalo, Chautauqua Lake, Youngstown, Cleveland, Akron, Chicago

AIR-CONDITIONED TRAINS • EXCELLENT MEALS

FINEST SERVICE • LOWEST FARES



"I WISH OUR MEN HAD SOME PLACE TO BORROW CASH FOR EMERGENCIES"

HAVE you wondered how to take care of employees who come to you for loans? For almost every worker at some time has unavoidable expenses which he can't pay out of savings or current earnings. If your company does not make employe loans, where are your men to borrow?

Where workers can borrow

You can borrow from your bank. But it is not so easy for the wage worker. Banks usually require collateral which wage earners seldom own or co-signers whom they can't readily get. And as for borrowing from friends—don't they have their own money problems to solve?

To supply loans to wage workers is the job of Household Finance. Here responsible workers can borrow up to \$300 largely on their character and earning ability. No endorser is needed. No wage assignment is taken. Borrowers obtain their loans at reasonable cost in a simple, private transaction.

Household's monthly payment plan permits borrowers to repay out of current income and without sacrifice of living standards. The table below shows sample loans and payment plans.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in New York and nine other states. Due to local conditions, rates elsewhere vary slightly.

Schools use Household booklets

To borrowers Household also gives guidance in money management and better buyman-ship, shows them how to get more out of limited incomes. Household's practical book-lets developed for this work are now used as texts in many schools and colleges.

Wouldn't you like to know more about this money service for limited income families? The coupon below will bring you further details without obligation.

HOUSEHOLD FINANCE CORPORATION and Subsidiaries

Headquarters: 919 N. Michigan Ave., Chicago
"Doctor of Family Finances"

one of America's leading family finance organ-izations, with 276 branches in 179 cities

HOUSEHOLD FINANCE CORPORATION, Dept. NB-C
919 N. Michigan Ave., Chicago, Ill.

Please send me booklets about Household's family money service without obligation.

Name.....
Address.....
City.....State.....

tors were told. "We want Ak-Sar-Ben money for our fair."

In 1935, racing was resumed and statistics compiled in 1939 tell the story. Each one of the 93 counties in the state held a fair, a gain of 39 in four years, and this despite unprecedented drouth and the depression.

The 1927 fire had destroyed practically all of the equipment used in building the floats for the festival parade. The governing board of the Knights decided to replace this spectacle with a livestock show at which only 4-H club members could enter exhibits of baby beeves and fat hogs.

Stock shows are growing

THE first show was held in 1928 and 150 animals entered in competition. At the conclusion of the show they were auctioned for an average of \$110 a head. At the 1939 show, 1,045 baby beeves and 285 hogs were on exhibition. They be-longed to 775 boys and 65 girls from half a dozen states, real farm youths who personally selected, fed, trained and led their show animals into the judging ring. The Grand Championship was won by an Iowa boy who received \$1 a pound for his baby beef, a total of \$983. Inci-dentally, his two sisters were competi-tors and the three of them took home nearly \$2,500 in prize money.

Carloads of cattle, hogs and sheep are entered in a separate competition and the growth of the Ak-Sar-Ben Livestock Show is illustrated by the results of the auction at the end of the 1939 show. Buyers paid nearly \$500,000 for 82 car-loads of feeder cattle, 24 loads of fat cattle, several loads of hogs and sheep and some of the baby beeves. This mon-ey was paid to 4-H club boys and girls who will use it to finance more ambitious projects on the farm, pay for college educations or put it away as a saving fund against the time when they will begin farming themselves.

There are approximately 100,000 4-H club members in the states regularly represented at this Ak-Sar-Ben Live-

stock Show. The interest it has aroused among the future farmers of the region has, to a large extent, been responsible for the streamlined type of cattle and hogs now produced in those states. The crowds attending the livestock shows are as large as any who witnessed the parade or danced in the streets at Festi-val time.

Each fall the Ak-Sar-Ben coliseum becomes the scene of an exclusive so-cial event. The arena is converted into the throne room of the Kingdom of Quivera and the Knights of Ak-Sar-Ben and their ladies gather to witness the coronation of a new king and his queen. Here is revealed the reason for limiting membership to 6,600. The coliseum will seat approximately 13,000 and there must be accommodation for each Knight and his consort.

Thirteen thousand pairs of eyes watch the silken curtains at the end of the great hall; 13,000 men and women wonder what civic leader will wear the crown of Quivera for the next 12 months; which of the season's débu-tantes will be his queen. Their identity is known only to a committee of three and will not be revealed until they ad-vance to the dais.

Actually the king and queen have lit-tle to do with the various projects the Knights undertake. They are symbolical only of the empire Ak-Sar-Ben claims as its field of endeavor. A board of 12 governors selected by the membership is responsible for the many things the organization does. Each governor is as-signed some specific task and it is his responsibility to see that it is carried through to completion.

"Nitwits" the bond salesman called them when they refused his offer. Any private corporation would welcome Ak-Sar-Ben's governors on its directorate. The roster at present includes:

William M. Jeffers, President of the Union Pacific Railroad.

George Brandeis, head of one of the largest department stores between Chi-cago and the West Coast.

De Emmett Bradshaw, President of



New toll houses at the entrance to Ak-Sar-Ben bridge. Tolls are used to pay for the bridge. Paid for, passage will be free

the Woodmen of the World Life Insurance Society.

W. D. Lane, President of Eggers-O'Flyng, and Omaha's Chamber of Commerce.

H. M. Bushnell, President of United States National Bank.

W. B. Millard, Vice President, Omaha National Bank.

J. H. Wright, President Nebraska-Iowa Grain Company.

W. H. Schellberg, President, Union Stockyards Company.

J. E. Davidson, President, Nebraska Power Company.

A. A. Lowman, President, Northwestern Bell Telephone Company.

Bert Murphy, President, Andrew Murphy & Son, Inc.

W. O. Swancon, Secretary-Treasurer, Nebraska Clothing Company.

They serve Ak-Sar-Ben without compensation as do other officials of the organization. They employ an activities manager, maintain a small office and from it issue the command, "Knights to the Rescue."

How well the Knights of Ak-Sar-Ben have done their job of building good will and improving conditions in their kingdom of Quivera is best illustrated by the results of a \$4,000 prize contest sponsored by a well known newspaper. The prizes were offered for the best answer to the question:

What can be done to make Nebraska a more prosperous, a happier, a better place in which to live?

Several thousand entries were received and studied by seven judges, none of whom were residents of Omaha nor members of the Knights. They awarded first prize of \$1,000 to the contestant who wrote:

"Organize units of Ak-Sar-Ben in every county in the state."

Money to Lend Without Interest

(Continued from page 26)

The largest due bill business in the summer is with resorts in such varied places as New England and Bermuda. Dude ranches in the West are also in the picture. The Florida resort business in both winter and summer is exceptionally good and, if you are fortunate enough to contact a due bill broker with Florida paper on his hands, you can take a vacation in Miami for as little as half of what it costs most people. Due bills aren't good at most Florida hotels in February, however, because they fill up in the regulation way during this month.

Few due bills are issued on men's clothing, but a good many for women's wear. New York business men who like to impress their out-of-town friends or customers flash the mystery of the due bill to show that they are important enough to have recognized establishments give them a sizable discount. No transportation company issues due bills as this is against the regulations of the Interstate Commerce Commission, so don't get your heart set on a nice little trip at half rates with the aid of the due bill bankers.

HOW I RETIRED ON A LIFE INCOME OF \$150 A MONTH

To men of 40 who want to retire in 15 years

"FIFTEEN years ago I made a discovery that changed my life. I believe it will interest you.

"When I was 40, I was worried about my future. I wasn't getting ahead. I seemed to be living in a circle, and I was dissatisfied. I used to dream of being able to relax, forget money worries and enjoy life. I longed for security.

"But it seemed hopeless. I wasn't rich. I probably never would be. Like millions of others, I would simply live and work and die—spend a lifetime trying to make both ends meet.

You don't have to be rich

"But that was 15 years ago. Now I have retired on a life income. I have no business worries—my security is guaranteed. I can work or play, as I like. Each month the postman hands me a check for \$150 and I know that I will receive another \$150 every month as long as I live.

"My friends are envious. They want to know how, without being rich, I ever managed to retire on a life income. The answer is simple: When I was 40, I discovered the Phoenix Mutual Plan.

"The moment I saw this Plan, I knew it was just what I needed. Through it, I could get a life income of \$150 a month in 15 years, protect my family, and even get a disability income if, before I reached 55, total disability stopped my earning power.

"Best of all, I could do all this through long-term, easy payments, and for far less money than ordinary investments require.

"Today, at the comparatively early age of 55, I have the things I want—lifelong security, the opportunity to travel, to hunt and fish, to live fully and well. I can laugh at worries. I can be sure of comfort and happiness in the years ahead—with a guaranteed income of \$150 a month for life."

This story is typical. Wouldn't you like to make sure of your own future? Wouldn't you like to find out, for yourself, how the Phoenix Mutual Plan



works? You can get the facts, without obligation, by sending for the free booklet offered below.

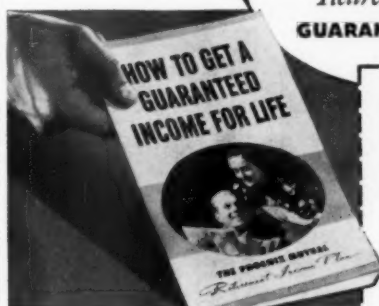
Send for Free Booklet

Send the coupon below and you will receive, by mail and without charge, a booklet which tells all about the Phoenix Mutual Retirement Income Plan. In a simple, illustrated way, this booklet explains how to get a life income of \$10 to \$200 a month or more, starting at age 55, 60, 65 or 70. It shows how to fit the Plan to your own needs, large or small. Don't delay. Don't put it off. Send for your copy now.

PHOENIX MUTUAL

Retirement Income Plan

GUARANTEES YOUR FUTURE



Phoenix Mutual Life Insurance Company
405 Elm St., Hartford, Conn.

Please send me by mail, without obligation, your book describing the
PHOENIX MUTUAL RETIREMENT PLAN.

Name _____

Date of Birth _____

Business Address _____

Home Address _____

Copyright 1940, by Phoenix Mutual Life Insurance Company



Serves any kind of business that needs a bookkeeper

PHOTOS BY PAUL DORSEY



It takes eight completely equipped trucks to handle the business that has been built in 15 years



Ted and Don Harris earn \$5 each every week-end by keeping the trucks clean and in good repair

Accountant on Wheels Founds New Business



C. M. Harris in portable office

AFTER going broke three times, C. M. Harris of Los Angeles set out to determine how other men ran their businesses without a visit from the bankruptcy man.

His experiment took the form of a truck equipped with a portable accounting service. He visited business firms and rustled their accounts, for a modest fee.

He kept at it for 15 years, resuscitating dying business, showing merchants the error of their ways. Today he has eight portable bookkeeping establishments covering the Los Angeles area. They maintain an average of around 150 accounts—everything from a five and 10 cent store to a tennis racket shop.

Each bookkeeping on wheels is manned by an expert accountant and contains in compact arrangement a typewriter, a calculator, a bookkeeping machine and the usual office equipment. The sides are constructed of transparent glass.

Harris arrived at his present occupation by a devious route. At 21 he was advertising manager of a Seattle firm. He left this post to become assistant advertising manager of a Seattle store. Then followed various types of experience as a business executive, none of them successful.

The idea of combining academic research with a business idea took form 15 years ago.

"My hardest job," said Harris, "is convincing a man he's doing a bad job of his job."

Perhaps the greatest contributing factor to business failure or mismanagement, thinks Harris, is the great American predilection to reward the top salesman by making him manager. In most cases salesmen don't know their economics and make poor executives. He has found them most difficult of all bosses to talk to in a constructive way. Used to expense accounts, a salary and straight selling, they cannot seem to realize that a dollar taken in is not necessarily a dollar that must be spent.

—MATT WEINSTOCK

Herbs Yield Daily Bread

HERB business developed by Mrs. Margaret Shawan and her husband turns one of the world's oldest "demands" to resourceful account. Business was solution of urgent problem of support, yields a good living.

Shawans live in San Gabriel Township, California. Both are in their seventies. Mr. Shawan retired from Presbyterian ministry 15 years ago. Then they bought a one-acre farm, built a house, planned to grow flowers for market. Things went well through the 'Twenties. With onset of hard times market slumped to vanishing point.

Something had to be done if they were to keep off relief. Mrs. Shawan put on her thinking cap. She thought of herbs. Hotels and restaurants, particularly French and Italian places, she knew, used herbs in sizable quantities.

Information on herb culture

WHEN she found that no one was producing required herbs in southern California, and that most of the herbs used are imported from Europe in the dried state, she literally combed the earth for information on herb culture. She had a lot to learn but she learned it.

Then she and her husband went into the herb business.

Now they are in the herb business in a big way. They have an acre in hot-houses and outdoor gardens. Scope is indicated by fact that a tuft of herbs that could be put in a watch pocket brings 15 cents.

Shawans have no competition, face more demand than they can fill, serve only a few leading hotels and restaurants in downtown Los Angeles and Pasadena.

Same sort of business probably could be established on outskirts of other large cities. Adequate promotion would expand use of herbs in American cookery.

Herbs now cultivated by the Shawans include:

Sage, Thyme, Chives, Spearmint, Tarragon, French endive, Marjoram, Basil, Chervil, Sicilian fennel, Savory, Parsley, Rosemary, Lemon balm, French sorrel, Chinese garlic.

Others are in experimental states of cultivation, and yet to be marketed. Demand for them already exists.

Experience of Shawans reveals herb culture as lightest kind of light farming. It is a type of agriculture to invite women, old men or persons suffering from minor physical disabilities.



New freedom for secretaries

New speed, less fatigue, through the hardest day's work with this new easy-action L C SMITH typewriter. New typing aids, also, to save time and energy. For example:

A remarkable Automatic Margin Set (both right and left stops controlled by a single lever). New Concealed Touch Selector... New Linespace Mechanism. Retained, too, are the famous Smith Floating Shift, Interchangeable Platen, and other features

making for speed and operating economy.

You should see this machine, of course. Better yet, have your secretary try it...and enjoy the new freedom which its continued use will give. Free demonstration in your office...phone any L C Smith branch office or dealer.

L C Smith & Corona Typewriters Inc
Desk 3, 105 Almond St., Syracuse, N.Y.



SECRETARIES: Send coupon for this new edition of "Tips to Typists"...a useful little booklet of time-saving ideas on typing. Free on request.



THE NEW *Super-Speed*
L C SMITH

...TOMORROW'S TYPEWRITER—TODAY!

Salvaging "The Lost Generation"

By ANNA THOMPSON WINECOFF

THE FAILURE of young men and women to find employment after graduation from preparatory school or college has created a serious situation resulting not only in economic waste, but in domestic and social maladjustment. It doesn't take an economist to realize that antisocial and defeatist attitudes have become increasingly prevalent and that the ranks of the unemployed have become filled with youth in whom radical ideas are easily sown.

We told youth that the doors of opportunity were open wide to those with an "education," and that in most instances a college degree was a *sine qua non*. They asked for a chance to earn their bread—we gave them a sheepskin! Unfortunately, the skin is the least nourishing portion of the animal!

The Williamsport Plan

BUT this salvage problem *can* be solved. It has been in some noteworthy instances. Here is the story behind one of the first of the retraining schools to be established in the United States—the beginning of a program of community cooperation which has defeated unemployment through occupational adjustment: a program which has become nationally known as the Williamsport Plan.

In a long narrow valley along the Susquehanna River, in Pennsylvania northwest of Harrisburg, lies the industrial city of Williamsport, a community of some 60,000 persons. Formerly a lumbering center, Williamsport has, since the lumber business declined, added various factories and manufactures. There are textile mills, slipper factories, hosiery mills, airplane factories, a wire rope factory, a nationally known steel plant, a leather factory and tannery, one of the largest paper novelty plants in the country, and many others.

For some years all was well with the city and there seemed to be jobs for all. Then, in 1932, the rubber plant, the industry which had hired the largest number of workers, moved away. Entire families who knew no trade except that learned in the rubber plant found themselves not only out of work, but facing the task of rebuilding their lives along unfamiliar lines, learning new trades, at which they must, of necessity, be

classed as learners or unskilled workers. The loss of one major industry will cripple a larger city than Williamsport. In this case it also meant ruin for tradesmen who depended on the earnings of the former rubber workers.

Realizing the gravity of the situation, Williamsport took stock of itself and decided that the only hope lay in community effort and cooperation. This spirit of community enterprise and cooperative effort has become the dominant characteristic of the entire Williamsport Plan.

The agencies which are today cooperating with the staff of the Adult School—as this training center is called—include: the Williamsport Community Trade Association, the Pennsylvania State Department of Public Instruction, the State Department of Labor and Industry, the Federal Civil Service Commission, the State Civil Service Commission, the State Employment Service, the teacher training department of the Pennsylvania State College, the Y.M.C.A. and the Y.W.C.A., various W.P.A. agencies, the N.Y.A., the C.C.C. retraining program, the Catholic System of Parochial Schools, the Lycoming County Crippled Children's Society, the Lycoming County Children's Aid Society, the Rehabilitation Bureau, such industries as the Lycoming Manufacturing Co., the Piper Aircraft Corporation, Bethlehem Steel, Sweets Steel. The entire community, in fact, sooner or later finds itself active in some part of the retraining program and works in close relationship with the school staff.

Working through the schools

THE most obvious beginning of any rehabilitation program is that of education and reeducation. The obvious agency to handle this program is the public school system. It was obvious that classes should be held in the evenings for several reasons. This kept active minds out of unworthy pursuits and also encouraged better acquaintance among the students, for many of whom the courses provided almost the sole social contacts. Many lasting friendships have been fostered through class association, and profitable contacts have been made which meant employment later.

The Adult School, although a part

of the public school system and subject to the usual regulations, is entirely apart from the day school. Enrollees range in age from those just out of high school to mothers and fathers of grown children.

Dr. George H. Parkes, Director of Vocational Education in the City Schools, the head of the school has used great care in selecting the staff and devising training methods. The staff, in addition to approximately 30 part-time instructors, consists of coordinators, who act as liaison officers between industry and the trainee, and teacher-coordinators, who train and also cooperate with industry. No teacher is hired who has not worked at his trade or in his field in industry. In fact, most of the full-time teaching staff have had at least an equal amount of both teaching and actual industrial experience. There is no room for theorists. Each teacher must be able to step out of the classroom at any time and go back to his trade. This gives confidence both to the trainee and to the industry which hires him.

In the early days, the staff worked from six until 10 p.m. but as the scope of the work expanded, the hours were also increased. Now the full-time staff works from one until five and from six until 10 p.m. Most of the coordinators, however, find that they are on duty 12 to 15 hours a day, and important contacts are often made on Saturdays and Sundays.

A conference for coordination

EACH day from one to 1:30 p.m. the staff meets in the conference room. Each coordinator lays before the group any industrial information or retraining problem which he may have on his mind. All the staff join in the discussion and make suggestions. Time to time notice of a job for which some coordinator needs an applicant appears on the blackboard. Always some staff member has an applicant to suggest. If a search of personnel files discloses no telephone number, one of the coordinators gets in his car, rounds up the person suggested, takes him to the job and goes with him to interview the prospective employer.

Each coordinator has a certain portion of the city's industries to cover in daily calls. The primary purpose

of these calls is job placements but frequently they result in retraining those who, although already employed, lack some element essential to their success.

For example: one young woman placed by the school in a large retail store had an undesirable personality trait which was standing in the way of her advancement. The employer asked a teacher-coordinator to talk with the girl and perhaps suggest some change in attitude. Due to the close relationship between teacher and pupil—a relationship which is almost the rule instead of the exception—the matter was satisfactorily adjusted and the young woman became a useful and happy employee.

Another girl did such inaccurate work that her ultimate dismissal from her position as typist seemed inevitable. The coordinator discovered that the girl's eyesight was poor and she suffered from headaches. He contacted an outstanding eye man who agreed to examine the girl's eyes without charge. Today she is in better health and holds down a job every day.

Industries pick trained help

PLACEMENT in industry is only one step in the salvage problem. Follow-up and remedial employment adjustment is equally important. This past year approximately 600 persons were placed in industry and the career of each carefully followed by the coordinator who placed them. Many industries hire most of their employees from the adult school classes and the coordinator's recommendation is usually taken without question. This friendly relationship between industry and coordinators is one of the elements most vital to the success of the program.

One of the most extraordinary phases of the Adult School in the eyes of the layman is the fact that there is no definite, hard and fast curriculum. Theoretically, there are as many courses of study as there are enrollees. The school does not try to fit students into a pattern, but rather cuts the pattern to fit individual needs and capacities. Sometimes, of course, the enrollee's desires do not coincide with his capacities or previous background. In these cases, when analysis indicates that the student lacks sufficient preparation for his chosen field, he is guided into background courses which will smooth the vocational rough spots.

Training in mechanics and commercial education draw the largest enrollment from the Adult School's 3,000 enrollees. In both fields they are given careful guidance. Machine shop students must pass an examination or take a course in blue-print reading be-

fore they are ready for machine shop training. Students in the commercial branches must demonstrate better than average knowledge of English. Many employers think it is not necessary for them, as executives, to know how to spell or punctuate, but woe to the stenographer who sends out letters which are not a credit to the dictator—no matter how *he* may murder the king's English! Nor does the employer like to sit in the same office with associates who are careless in their personal appearance. Here again, possible job failure is guarded against. Students in the advanced commercial classes take a course in good grooming as a secretarial prerequisite. Girls are taught proper office apparel, the gentle art of make-up, how to tone down fingernail polish, and how to keep unruly locks in some sort of order. The young women take to this course naturally and the results are frequently startling.

When Uncle Sam decided to foster student aviation training in schools and colleges, Williamsport decided to get in on the ground floor. One of the first aviation schools organized as a part of a public school system is in operation in Williamsport. Courses in aviation are offered to young men, and women, who plan to become aviation mechanics or pilots. Instructors are ex-transport pilots and the school has use of the local airport, as well as its

own machine shops. Department of Commerce licenses are issued to those who successfully complete their training. Four hours each night are spent in practical theory training—meteorology, air regulations, flight theory and navigation, radio, and so on.

Since the stores and shops hire a large percentage of the city's employable men and women, classes in salesmanship are held not only in the school but in the department stores before working hours so that those already on the job may receive additional training.

Home Economics courses are likewise greatly in demand, not only for those who hope to enter industry but also for those who plan to make their own homes. A bride's course in cookery drew capacity enrollment last winter.

The school operates the year 'round. Nothing stops the night classes except legal holidays, and the school slogan is "When the business man works, we work."

In spite of this continuous program the cost per pupil per year in the Adult School is only \$10.22. This low cost is possible, in part, because the school uses the high school equipment and plant. The complete cost of retraining and placing a student on a job is estimated at \$100.

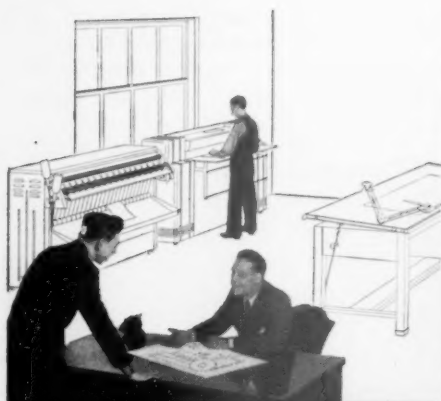
Surely this is little enough to spend to make a citizen self-supporting and self-respecting.

More goods—cut prices—more jobs



Gaston DuBois (center) and family
Vice President, Monsanto Chemical Company

"By the use of machines we have in 20 years increased the volume of industry and at the same time have cut prices while increasing the number of men employed. We have also reduced the number of working hours of each workman and accomplished it without reducing his yearly income. Our purchasing power is higher than it was 20 years ago and we have more spare time."



*"We find that these
Superior BLACK and WHITE
PRINTS actually cost us
less than blue-prints"*

"Naturally we know that Bruning Black and White Prints are easier to read and to check than blue-prints. But, until we started making our own BW Prints, we didn't realize that they actually cost us less than blue-prints.

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* * * * *

Firms throughout the country have found that the use of Bruning Black and White Prints reduces total print cost more than enough to offset the slight extra cost of BW paper—and, at the same time, speeds up print production. Why don't YOU make this important discovery? Mail the coupon for FREE literature!



NEW Bruning Mercury "75" Printer prints at 20 feet per minute. Uses new Hanovia HIGH PRESSURE Mercury Quartz Lamp to overcome the disadvantages of old-time carbon arc machines.

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The Taxpayers' Load Made Visible



WITH about half the states collecting more than \$400,000,000 a year through taxes on retail sales, a new token currency has come into general use in order that sales taxes may be collected down to a tenth of a cent. Although generally regarded as a nuisance, perhaps this mass distribution of metal tags serves a useful purpose as a mute reminder of the high cost of government and practical evidence that everyone with money to spend must give a portion of it to the tax collector.

Tags Shown are:

First Row:

Missouri milk bottle stopper token for five mills; Oklahoma five mill token, obverse; Oklahoma one mill token, reverse (these tokens are identical except for the numeral); Missouri milk bottle stopper token for one mill.

Second Row:

Obverse of Arizona five mill token; reverse of Colorado 1/2 cent token; reverse of Missouri "milk stoppers"; obverse of Colorado 1/2 cent token; reverse of Arizona five mill token.

Third Row:

Reverse of Illinois 1 1/2 mill token; re-

verse of Arizona one mill; obverse of New Mexico one and five mill tokens; obverse of Arizona one mill token; reverse of New Mexico one mill token.

Fourth Row:

Obverse of Washington one mill token; obverse of Utah five mill token; obverse of Utah one mill token; obverse-reverse of Kansas two mills; reverse of Washington one mill; obverse-reverse of Missouri five mills.

Fifth Row:

Reverse of Illinois 1 1/2 mill square token; reverse of Utah five mill token; obverse-reverse of Colorado 2 mill token; obverse-reverse of Missouri one mill token; obverse of Illinois 1 1/2 mill square token.

Sixth Row:

Reverse of Arizona five mills; obverse of Illinois 1 1/2 mill; obverse-reverse of Kansas one mill; obverse of New Mexico one and five mill tokens; obverse of Oklahoma five mill token.

The three large Missouri tokens are made of cardboard; the Arizona tokens are of copper as is the five mill token of New Mexico; the five mill Oklahoma token is brass; the Missouri small tokens are a zinc alloy and the rest are aluminum.

—JOHN FARNHAM

Entertainment in the Sky

Complete receiving set below weighs only 28 pounds



Hostess tunes in with receiver pad to check receptivity of radio program

NEW individual passenger radio receivers enabling air travelers to hear flight comments direct from pilots in the cockpit and listen to their favorite radio programs have been installed on TWA's big twin-motored Douglas planes.

The radio sets are controlled by a master receiving unit operated by the hostess, with individual "Hushatone Speakers" that are so small that they can be held in the palm of the hand or fastened under the seat covers. These speakers can be plugged into outlets above each seat so that the sound reaches the ear of each passenger but will not disturb any one in the next seat.

The individual receiving units—tiny padded ear instruments connected with a main radio receiving unit—are also connected with a microphone operated by the pilot of the plane.

During the first week of operation of the new "Passenger Radio receivers" the air line people found that passengers would rather listen to the captain than to the hottest radio program on the air.

At intervals an amber light glows at the forward end of the big transport, a signal that the pilot is "on the air."

"This is Captain Jones. Our position is over Columbia, Missouri. We are now flying at 6,000 feet above sea level. We have a tail wind of 25 miles an hour and our ground speed is 200 miles an hour. The temperature outside the cabin is 15 degrees. On your left you will see the University of Missouri. A football stadium is just beyond the campus. Our arrival in Kansas City is estimated at 5:06 P.M."

The amber light connected to the switch in the instrument panel is then turned off and the passengers once again hear a favorite swing tune or comedian.

Air hostesses have been trained to have a thorough knowledge of current radio programs to offer broadcasts that are of interest to the majority of passengers.

Because transport planes cover great distances in a short time, the hostesses are tuning in different stations about every 200 miles to provide the best reception. The pilots cut into the circuit on station breaks to provide smoothness to the "Entertainment in the Sky."

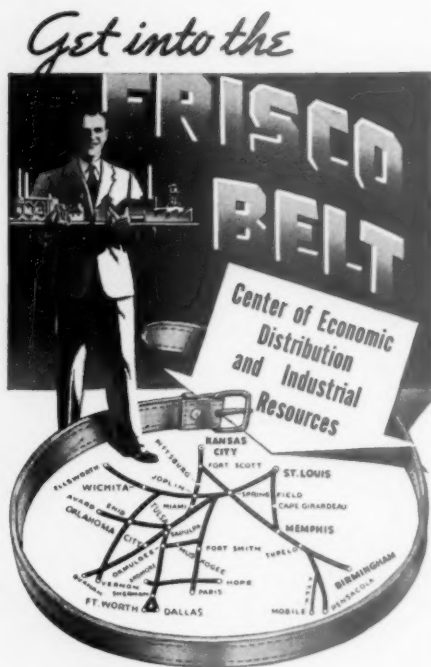
—A. J. McQUEENY.



Receiver at passenger's ear



Pilot cuts in to tell passengers about landmarks on route



A Ready-Made Market of 16 Million People!

Any manufacturer interested in reducing costs of production and distribution, under agreeable labor conditions, will do well to get ALL the facts about the industrial development of this vast, vigorous and fast-growing area—served by Frisco First. The official data on available hydroelectric and fuel power, raw materials—are too fabulous for treatment in this limited space.

Industries depending upon agriculture will find, in the Frisco Belt, ideal soil and climatic conditions for the production of needful commodities. Within the past few years alone, diversified industries representing a capital investment of \$100,000,000 have established plants in this area. Your inquiry will bring prompt and complete information.

MISSOURI, ARKANSAS, OKLAHOMA, TEXAS, KANSAS, TENNESSEE, MISSISSIPPI, ALABAMA, FLORIDA ARE FRISCOBELT STATES.

Industrial Department, Frisco Lines
820 Frisco Bldg., St. Louis, Mo.



Below Zero Safety Deposit Boxes

(Continued from page 24)

into chops, roasts, and steaks to fit the housewife's requests. Pork is usually cut immediately after chilling, but beef and lamb are frequently hung to age for several days at a temperature between 30 and 36 degrees Fahrenheit.

These chilled cuts are wrapped tightly in several layers of moisture-proof parchment or oil paper and sent to the "heart" of the locker plant—the quick freezer. Left-over bits are set aside to be converted into fats and lards, the small pieces of meat to be ground into sausage fillers.

In the quick freezer, the cuts, tagged with the farmer's locker number, remain from three to six hours, sometimes overnight, depending on their thickness, with the temperature at ten to 20 degrees below zero Fahrenheit.

There are several methods of sharp freezing, or quick freezing as it is generally called. By one, the food is floated in pans on running brine; by another, it is placed between two cold plates, moving or stationary; by a third, it is frozen on a flat metal plate underneath which brine flows. Brine sprays are sometimes used, too. By this method, the spray does not come into contact with the foods or even with the package in which it is wrapped. The food is placed in the lower section of a compartment and chilled brine is sprayed against the opposite wall. Since cold air moves downward, the cold air on the side of the compartment where the food is laid circulates around it and produces a rapid freeze.

True, mechanical refrigeration has been known for years, but, until 20 years ago, the process of preserving foods by freezing was unheard of on a commercial scale. As far back as 1861, Enoch Piper, of Camden, Maine, was storing fish by placing them first on racks over which pans containing ice and salt were supported and then in cold storage rooms. Ice and salt were the only media then by which foods could be effectively frozen.

After the meat is frozen, it is stored in the locker room, in an individual compartment from which the patron may withdraw it at any time. Beef and lamb may remain stored for more than a year. It needs now only to be thawed at home in the family refrigerator. Even slow thawing is not essential, however. According to research at University Farm, St. Paul, meat will be just as wholesome if boiled immediately after removal from the compartment.

The process for vegetables and fruits is similar. Ten years ago vegetable freezing was unknown, however, for several reasons. Chief obstacles have been those of distributing, marketing and packaging. Before the locker plant was developed, merchandisers could not freeze their own foods and store them adequately. Even had they been able to do so, lack of low temperature display cabinets made selling almost impossible. With the advent of commercial cold

storage a new era is coming. Hitherto housewives had been suspicious of frozen vegetables; the term suggested foods of an inferior quality.

Today various concerns are experimenting with containers for frozen foods, not only for display selling, but also for transportation. Corrugated fiberboard containers with moisture-vapor proof liners or wrappers hold frozen foods, particularly peas and lima beans, without permitting desiccation.

Aids in merchandising

THE General Foods Corporation long ago had seen the problems the retail merchant faced in keeping his frozen foods until sold, and they made extensive researches. Through its Frosted Foods Division (now the Frosted Foods Company) it finally developed a low temperature display and storage cabinet. A number of stores in Springfield, Mass., were equipped with them. The experiment brought successful results almost immediately. Consumers could see the foods through glass partitions, began to buy them, and now are continuing to buy in ever greater quantities. The Corporation's Annual Report for 1935 said:

Retail expansion has been confined primarily to major trading areas in New England and New York. Today 1,200 retail stores are selling Birds Eye Foods (the trade name of the products of the company) as compared with 742 stores on January 1, 1935.

In its search for better cabinets, the Frosted Foods Division developed a welded steel container which is actually two tanks, one called the inner tank, the other, the outer tank. Between them, kapoc is inserted and the space sealed hermetically.

These cases come in two types, one with an opening at the top, the other with rear doors. They are portable and operate by plugging into any standard electric outlet.

As their prejudice against frozen vegetables has broken down, housewives are beginning to use the locker compartments for their own produce. Some even buy the fresh foods and take them to the plant for freezing and storage. It is not uncommon to find farmers placing on their dinner tables frozen pineapples, avocados, persimmons, dates, papayas and figs, not to mention strawberries, tomatoes, asparagus, peas, corn, cauliflower, and carrots.

Gradually housewives are learning, too, to "process" their foods at home, and then take the prepared products to the locker, thus avoiding even the charge for processing.

"The frozen foods industry is taking the calendar out of the farming game, and farming centers from Maine to California are becoming direct competitors of each other," this quotation sums up the findings of Harry Carlton, University of Tennessee market expert, who has

just returned from a ten months' 21,000 mile coast-to-coast tour of farm producing and distribution centers. According to him, the industry last year marketed more than 250,000,000 pounds of food, including fish, meat, vegetables and fruit, representing a total value of about \$60,250,000, and is "unable to supply the growing demand."

If this demand continues, and there is reason to believe that it will, certainly a new middleman is in the offing. Undeniable, there are disadvantages: for farmers, the cash outlay for storage may be greater than that for canning and curing at home; moreover, meat must be eaten as soon as it is removed from the locker. For town patrons, the cash outlay for buying whole cuts may be lacking; the distance of the plant from the home may be greater than the distance from the neighborhood butcher or grocer. Moreover, it is true that, if poor quality meats are stored, there will be a long diet of poor meat before the purchase has been exhausted.

But these difficulties are small. Slaughtering may be planned months ahead and the animal fattened accordingly; the plant butcher insures good cuts; and the farmer has a varied diet throughout the year. And, most important, savings accrue of from seven to nine cents per pound of meat.

There is as yet no governmental inspection of farm-slaughtered animals for disease. True, Iowa requires a yearly license of \$25, but it is enforced under an outmoded law written before the day of modern cold storage locker plants.

But since many locker units are owned and operated by community administrations—ice companies, creameries, retail meat dealers and farmers' organizations—some sort of community inspection service may arise.

Intelligent thinking and planning by consumers and plant owners is essential, of course. Inability to get efficient management, lack of reserve capital and failure to develop proper outlets have already doomed some enterprises to collapse. Operators should profit from other owners' mistakes and plan accordingly.

Forced Joining?

A SHORT CUT for recruiting trade association membership rolls was suggested by S.E.C. Chairman Jerome Frank to the recent meeting of the Board of Governors for the National Association of Security Dealers. He advised that body that they are provided with a weapon for compelling memberships, since Congress has authorized the making of rules that discriminate against those who do not enroll.

The N.A.S.D. is not likely to fall for Mr. Frank's bait. If memory serves, that is one of the rocks on which the N.R.A. was wrecked. Compulsion is no less odious when it is accomplished through trade cartel sanction than directly by commissars.

Government help business?

Yes, sir . . . in Pennsylvania



"What is a state's first duty to its people? Isn't it to safeguard their livelihoods—make more jobs, make present jobs and business more secure? That's what Pennsylvania thought, when it created a Department of Commerce."



"Business men, workers, everybody will tell you what it means to have a state government able and eager to help. Often results come just from getting everybody together around a table. But the State more than listens, it gets things done."



"For instance, a mineral industry, production way down, was brought together to iron out its difficulties. Another industry, threatened by trade barriers set up by other states, sought and got action that removed those barriers."



"Another example: A plant shut down because management and labor couldn't get together. The Department of Commerce suggested the services of a State mediator. A settlement was soon reached. Result: plant and men back at work."

"I could tell you much more. But I'm sure you see what we mean when we say, 'Something is happening in Pennsylvania'."

There are many ways in which government can help. Sometimes in an individual business—sometimes a whole statewide industry—sometimes in smoothing out a management-worker relationship. All of Pennsylvania's departments are at the service of industry and labor—ready to help.

If you are thinking of locating a new plant, branch office or warehouse, it should interest you to know that here in Pennsylvania the job of fostering industry is taken seriously. Have you seen the new booklet, "Pennsylvania—Its Many Industrial Advantages"? Write for it.

Pennsylvania

where your business can expand



ARTHUR H. JAMES Governor • RICHARD P. BROWN Secretary of Commerce



Mrs. Julius Schlezinger, 29-year-old wife of an N.L.R.B. attorney



Margaret McDuff Farmer, appointed before admission to bar. Former mathematics teacher



Fannie M. Boyls obtained law degree in 1929. Former attorney with H.O.L.C.

These four women inspectors of the Wages and Hours Administration get instructions from an official of the organization

Feminine Touch in Labor Relations

WOMEN review attorneys in N.L.R.B. and investigators in Wages and Hours Administration find careers in bu-
reaucracies increasing rule over employers



Mrs. Abe Fortas (left), wife of a gov't attorney, has also served as agricultural economist, and is now in Justice Dept. **Mrs. Margaret Porter** was detailed to Board by Lee Pressman, now a C.I.O. attorney

Mrs. Ann Wolf, wife of N.L.R.B. attorney. Born in Hungary



This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the circular, dated February 13, 1940, containing information furnished by Triborough Bridge Authority; the circular does not constitute an offering by any underwriter to sell these securities in any state to any person to whom it is unlawful for such underwriter to make such offer in such state.

New Issue

February 14, 1940

\$98,500,000
Triborough Bridge Authority
2 $\frac{3}{4}$ %, 3% and 3 $\frac{1}{4}$ % Revenue Bonds

Dated February 1, 1940

Due as shown below

\$50,000,000 3 $\frac{1}{4}$ % Sinking Fund Revenue Bonds, due February 1, 1980

Price 102 $\frac{1}{4}$ %

plus accrued interest from February 1, 1940, to date of delivery

\$48,500,000 2 $\frac{3}{4}$ % and 3% Serial Revenue Bonds

Prices as shown below

plus accrued interest from February 1, 1940, to date of delivery

2 $\frac{3}{4}$ % Bonds

Principal amount	Due February 1	Price to yield to maturity	Principal amount	Due February 1	Price to yield to maturity	Principal amount	Due February 1	Price to yield to maturity
\$800,000	1945	1.50%	\$1,050,000	1948	2.10%	\$1,175,000	1950	2.30%
875,000	1946	1.75	1,125,000	1949	2.20	1,225,000	1951	2.40
975,000	1947	2.00				1,275,000	1952	2.50

3% Bonds

Principal amount	Due February 1	Price to yield to maturity	Principal amount	Due February 1	Price to yield to maturity	Principal amount	Due February 1	Price
\$1,325,000	1953	2.55%	\$1,700,000	1961	2.85%	\$1,900,000	1968	100.00%
1,375,000	1954	2.60	1,725,000	1962	2.90	1,925,000	1969	100.00
1,450,000	1955	2.65	1,750,000	1963	2.90	1,925,000	1970	100.00
1,500,000	1956	2.70	1,775,000	1964	2.95	1,925,000	1971	99.50
1,550,000	1957	2.75	1,825,000	1965	2.95	1,925,000	1972	99.50
1,600,000	1958	2.80			Price	1,925,000	1973	99.50
1,650,000	1959	2.80	1,850,000	1966	100.00%	1,925,000	1974	99.50
1,675,000	1960	2.85	1,875,000	1967	100.00	1,925,000	1975	99.50

For further information relating to Triborough Bridge Authority and the Authority's \$98,500,000 Revenue Bonds, reference is made to the circular dated February 13, 1940, containing information furnished by the Authority, which should be read prior to any purchase of these Bonds. Copies of the circular may be obtained from any of the underwriters, including the undersigned, only in states in which such underwriters are qualified to act as dealers in securities and in which the circular may legally be distributed. Among the underwriters are:

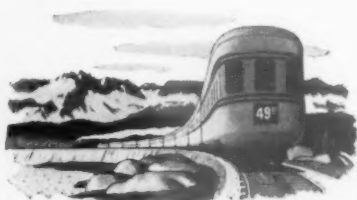
Dillon, Read & Co. The Chase National Bank Bankers Trust Company Lehman Brothers
 Chemical Bank & Trust Company The First Boston Corporation Blyth & Co., Inc. Lazard Frères & Co.
 Harriman Ripley & Co. Smith, Barney & Co. Mellon Securities Corporation Blair & Co., Inc.
Incorporated
 White, Weld & Co. Ladenburg, Thalmann & Co.
 Union Securities Corporation Shields & Company Stranahan, Harris & Co. L. F. Rothschild & Co.
Incorporated
 B. J. Van Ingen & Co. Inc. Stone & Webster and Blodget Phelps, Fenn & Co.
Incorporated

FASTEST TRAINS SHORTEST ROUTE TO SAN FRANCISCO



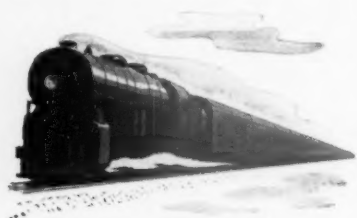
STREAMLINER CITY OF SAN FRANCISCO

Only 39½ hours, Chicago-San Francisco. "Sails" from Chicago on the 5th, 11th, 17th, 23rd and 29th of each month. Finest accommodations. Extra fare.



FORTY-NINER

Chicago-San Francisco in two days and nights. "Sails" from Chicago on the 2nd, 8th, 14th, 20th and 26th. Superb service. Extra fare.



OVERLAND LIMITED

Finest, fastest daily train between Chicago and San Francisco. All-Pullman. No extra fare.

Go on the Overland Route. Return on Southern Pacific's Sunset, Golden State or Shasta Route. See twice as much of the West.

Southern Pacific

Charting New Routes for Commerce

(Continued from page 20)

pend upon the demands of the moment.

War on the Western Front focused attention on nitrate in its malevolent rôle. Deposits of any size are rare. Potassium nitrate, or saltpeter, was once found in India but its availability was limited. Washington's ragged Colonials eked out a small amount by leaching compost piles and scraping the walls of caves. Now Armageddon on a huge scale demanded unprecedented quantities. England and Germany both made at once for the one place in the world where such a supply existed—the primeval pelican roost on the coast of Chile.

Chile had been happily and impartially loading ships of all nations as they came to fill their needs. Germany, storing up ahead, imported 750,000 tons in 1913; the United States, chiefly for fertilizers, 429,897 tons. (By 1917, our own needs were to soar to 1,500,000 tons at \$250 a ton.)

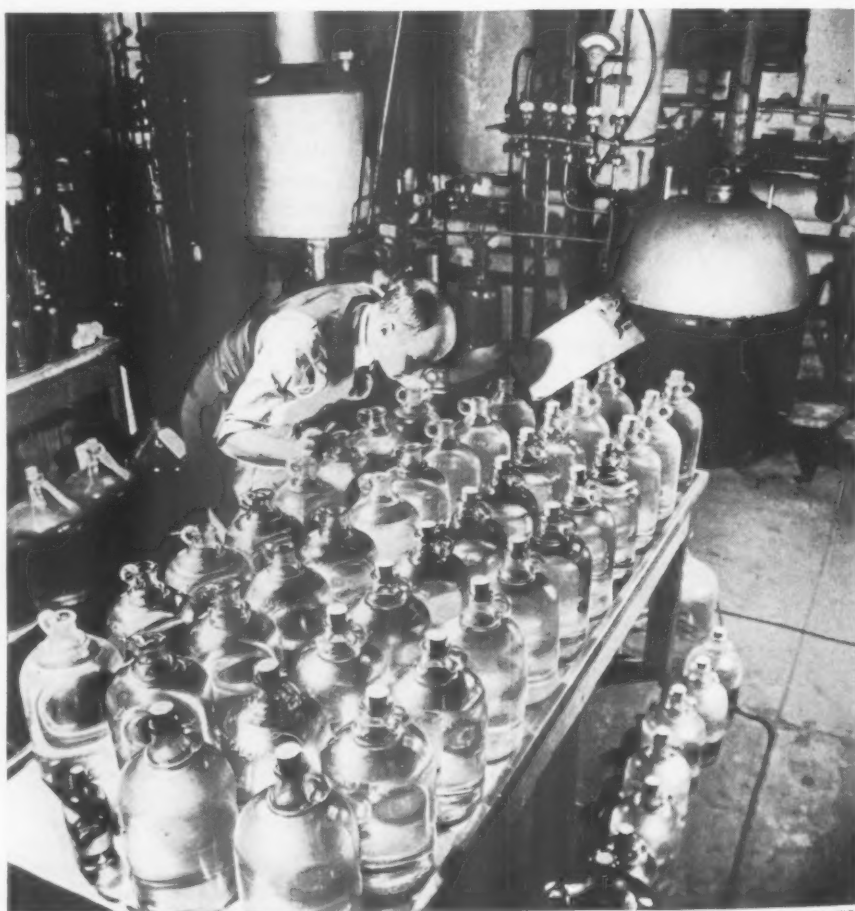
When Belgium was invaded, Great Britain and Germany blockaded each other to shut off the nitrate route. A squadron under the German Admiral von Spee outmaneuvered British warships and defeated them on Nov. 1, 1914, but a month later a large fleet returned. The Germans were crushed in the Battle of the Falkland Islands, and henceforth denied access to the Chilean mines.

Britain now had all the nitrates she needed, Germany none at all. If necessity does indeed mother invention, then a need born of war was to have sweeping consequences in the cause of peace. German chemists evolved a method of taking nitrogen from the air, "fixing" it, as it is called, so that it could be used. The supply once so limited thus became exhaustless.

Today every major power has its own means of extracting nitrogen from the air. Our requirements for agriculture for all time are fulfilled, at a cost of less than half that once paid for the natural product, even in "normal" times.

Thus one of the important trade routes was virtually erased. The "nitrate fleet" has long since been beached. Half a hundred ships have turned to other pursuits.

Chemistry is like a patient explorer proceeding through a strange jungle. Each successive discovery has opened new avenues of wonder. Having contrived to tap the inexhaustible reservoir of the air for nitrogen, laboratory investigators began to explore other possibilities from the same source. They had utilized water and coal to woo the elusive nitrogen molecules from the atmosphere and anchor them in a tangible shape. What additional secrets lay in the alliance of these three components with



GIVANDEN-DELAUNAY, INC.

An expert judging the odor quality of aromatic chemicals from which high grade perfumes will be manufactured

their endless progression of chemical combinations?

As they rearranged the patterns of the complex structures, one new material followed another.

There is no magic, no alchemist's formula to chart the labyrinth. Tireless research and experiment, backed up by an ample capital investment, are necessary. But results began to appear as American industry faced the task. Each development was reflected, in some way, in the design of daily life; each had its reverberations on the strand of some foreign port. Each moved a line on the schoolboy's map as trade lanes shifted.

Fertilizers drawn from the air rendered America self-sufficient in its nitrate deficiency.

Coal, water and air, functioning under the manipulation of their chemical maestro, have gone on from triumph to triumph. Some of their most recent successes are too new as yet to have made a great impression, yet they promise consequences of greatest importance.

One is a bristle for brushes, a minor thing perhaps until you reflect that bristles are imported from the plains of Manchuria, where wild hogs are rounded up to contribute their quills to American sanitation. Last year ships brought nearly 5,000,000 pounds here.

Silk worm has competitor

THE most recent, and momentous, development is an entirely new material called "Nylon." You may not have seen it as yet, but many consider it the most important event of the year. Only a few of its potential uses have been indicated, but one of them is women's fine hosiery.

Silk has been the aristocrat of all textiles, since Marco Polo found it in Cathay; for centuries the Silk Road to the Far East knew extensive travel.

Last year American women bought close to 500,000,000 pairs of silk stockings. Silkworms in Japan spun out more than 50,000,000 pounds of thread to supply this need.

Rayon, when first introduced, was regarded as a cheap substitute. But chemists kept working at the material, and gradually effected a Cinderella-like transformation. It remained unsuitable for stockings, but suitable indeed for dresses and other clothing. The result was the inexpensive garments of today that have brought fashion to the lowest purse and banished dress as a badge of social rank. And silk, once needed for other attire, found its place in enhancing the well turned calves of American womanhood. The production of silk paralleled the amazing rise of rayon, as sheer silk hosiery, short skirts and feminine style-consciousness spread.

Hosiery made from Nylon has the beauty of silk and is far more durable. Its effect upon Japan's justly-famous industry remains to be seen. If history repeats, the silkworm will turn to some other field.

Rayon, made into slender filaments by "straining" a syrupy chemical liquid through tiny holes, has several cousins. One of them, allowed to harden in sheets instead of being made into threads, was the prestidigitator of another major



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... Saves Time and Money

TRAIN-AUTO Service

TO YOUR DESTINATION... BY TRAIN
— AT YOUR DESTINATION... AN AUTO

● Now it becomes unnecessary to drive long distances in order to have a car at the other end of a business trip. For effective May 1, this new *TRAIN-AUTO Service* will be available in 30 states at more than 150 important cities located on 11 leading railroads of the west and south.

You may arrange for the auto when you buy your railroad ticket or after arriving at destination. The car will be waiting for you *at the station*—a current model, five-passenger sedan that is yours for as long as you need it. The Railway Extension agent will give you the keys and you're on your way.

This service is *more* than a convenience. It saves precious time. It avoids the nervous strain of fighting highway traffic. It makes traveling time a *rest period*—an opportunity to read, relax or sleep.

On top of all these advantages, *TRAIN-AUTO Service* will save you money. Consult the nearest railroad ticket agent or any traffic representative of the railroads shown below before planning the next trip for yourself or others after May 1, in the territory served by these railroads:

**TRAIN-AUTO Service is offered by these railroads,
in cooperation with Railway Extension, Inc.**

BURLINGTON LINES • CHICAGO AND EASTERN ILLINOIS • CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC • CHICAGO AND NORTH WESTERN • CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA
GREAT NORTHERN • ILLINOIS CENTRAL • NORTHERN PACIFIC • ROCK ISLAND LINES
SANTA FE SYSTEM LINES • UNION PACIFIC RAILROAD

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Kimpak

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CREPE WADDING

*protects your product
dresses your package*



The popular Zenith Chairside Model Radio is protected in transit by KIMPAK Crepe Wadding.

■ Why risk disappointing your customers with merchandise damaged in transit? For your protection, and their good will, pack with KIMPAK.*

Soft, yet resilient, KIMPAK acts as a shock absorber for your product in transit—guards against breakage, scratches, "press marking" and surface "burning". What's more, KIMPAK helps to dress up your package and give it far more sales appeal.

KIMPAK comes in rolls, sheets and pads of wanted thicknesses and sizes which can be applied quickly and easily without fuss, muss or waste. It can be used for packing nearly every type of product. And since KIMPAK absorbs 16 times its own weight in moisture, it more than meets government postal regulations regarding shipment of liquids.

Mail the coupon today and receive further information and samples for testing.

*Reg. U. S. Pat. Off. and Foreign Countries

FREE! 1940 PORTFOLIO OF KIMPAK

KIMBERLY-CLARK CORPORATION

Neenah, Wisconsin

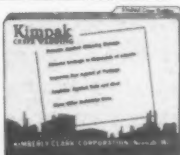
Address nearest sales

office: 85 Michigan Ave.,

Chicago, 122 East 42nd St., New York City,

510 W. Sixth St., Los Angeles.

Please send us the 1940 Portfolio of KIMPAK.



Company

Address

Attention of Our Product is

change in the map. It first became known by the name bestowed by its inventor, celluloid. It was the first plastic.

Combs, both the fashionable ornament for Milady's coiffure and the work-a-day variety for subduing errant locks, were once made of horn. So were knife handles, buckles, umbrella heads, pipe stems and ornamental objects of all varieties. Long-horned cattle roaming the prairies of the West, the pampas of South America, Africa and Australia were the source of supply. The old Chisholm Trail north from Texas was crowded with bellowing steers with horn-spreads of five feet or more. They were lean and tough as to flesh, unkempt as to hide, but their battle-antlers supported a great industry.

Railroads pushed west, and steam transport progressed all over the world, ending the isolation of the great grazing lands. Demands of a growing population called for meat and grain. The sleek, short-horned cattle of fulsome steaks came in with fields of wheat and corn. The Longhorn retreated before the flood and all but disappeared. Horn products grew scarce and became a luxury.

Into this picture stepped the fledgling prodigy of chemistry, rayon's kinsman, "pyroxylin" plastic. Today most of the world's combs are made of plastics. So are the buckles and buttons, the hair ornaments and knife handles that once stemmed from the long-horned steer. So are hundreds of industrial and home necessities.

"Precious Jewels" for lean purses

CARAVANS from the East once carried back small quantities of highly-prized semi-precious substances—jade, amber, alabaster, lapis-lazuli, rock crystal, onyx and carnelian. Only the wealthy could afford them. You'll find satisfactory articles, undistinguishable from the originals, in almost any low-price department store today. There is no beauty of texture or tint the plastics cannot duplicate. The trade lanes that once brought them in small quantities to connoisseurs are, in comparison, almost deserted.

Another rare commodity with a romantic history is the elephant tusk. Native bearers plodded through jungles with yard-long tusks of ivory over their shoulders to accommodate the demand. No one can say how many lives were lost from tropic fever and wild animals in the ivory trade.

But, by the latter years of the past century, ivory was getting scarcer and the demand was expanding. One important use was for piano keys. The price of ivory went up, and as some one pointed out, raising elephants is not a job with such quick returns as those promised by rearing silver foxes or rabbits. As a matter of fact, it was the search for a substitute for ivory for billiard balls that led a young printer named John W. Hyatt to the experiments that produced celluloid.

Modern piano keys, and billiard balls too, are made simply in mass production from plastics. The old ivory trail is gone, and plastics have expanded from the original cellulose substance to an endless variety, made of everything from coal to soybeans.

The semi-precious gems now reproduced in plastics were introduced by the caravan merchants and by adventurous Portuguese who sailed around Africa for the Indies. The jade and lapis-lazuli, however, were something of a drummer's side line. The chief stocks in trade were spices and perfumes. The senses of taste and smell in early Europe were often badly offended. Medieval food was extremely unpalatable. Meat spoiled and there were few ways a cook could deal with the vegetables available.

Early voyagers to the Orient brought back tiny parcels of nutmeg, pepper, ginger, cinnamon and other strange concoctions unknown west of the Danube. Europeans found that their food was more savory when flavored with these condiments. Traders specialized in spices, for they took up little space and fetched a high price. Perfumes were just as much sought after and, in the East, were dozens of fragrant oils—myrrh, cassia, hyssop, sandalwood, lavender.

In India, then viewed as the world's horn of plenty, ancient explorers came upon another food product which was to become indispensable. Early chroniclers referred to it with some bewilderment as "a weed that makes honey without bees." The intelligent and venturesome Arabs got hold of some and experimented with it. They tasted it, found it sweet, and called it suk-kar.

Pure white sugar is probably chemistry's greatest contribution to the world's diet. Its refining is wholly a chemical process. So is the development of the sugar beet into a ready source of "sweet-nin'" for your morning cup of coffee.

We are fond of flavors and perfumes today. Even the most streamlined caravan and the most modern ship, however, would find little business in supplying us in the old fashion. Flavors by the score, perfumes by the hundred are trapped by the chemist in out-of-the-way corners of coal, vegetable oils and similarly peculiar haunts.

It may be less romantic, but it's far less expensive, too. Heliotrope once sold for \$400 a pound; it is now \$2.00. A single pound of oil of roses formerly brought \$400; turpeneol has dropped from \$11 to 34 cents since the chemist took a hand. The vanilla bean, coming from the orchid, sold for \$1,000 a pound in grandfather's day. The laboratory variety, and you can't tell the difference, brings in the neighborhood of \$4.00. Coumarin, which smells like new mown hay, comes from tonka beans, once carried in snuff boxes.

Since the chemist learned to make it, the price has fallen from \$50 to less than \$3.00; one ounce of the synthetic is equal to four pounds of beans. Musk, the all-important element of every perfume, came only from the musk-ox in the tablelands of Tibet. The ox was in danger of extinction, and a pound of real musk in a pure form would be worth \$40,000. Chemists have now learned to make it at a price that renders it available to all.

The same thing applies to dyes. They were also a staple of the caravan routes and the voyage around the Cape. All dyes originally were animal or vegetable products. Phoenician traders, the early go-getters of the Mediterranean, built up

a fine high-class clientele dealing in a snail-like shellfish called the Murex. From a tiny sac behind the head came a drop of liquor which when exposed to air and sunlight turned a deep purple. Only kings could pay the price, so "born to the purple" became a descriptive term applied to the plutocratic. Tyrian purple was the distinctive insignia of royalty.

Royalty wasn't so much

YOU can't buy Tyrian purple today, not because of the cost but because chemists consider it a pretty poor dye, and refuse to offer it even for overalls or crêpe paper. The excellent dyes you can buy by the thousands are all fashioned in the laboratory.

The most imposing triumph in the chemist's conquest of the color field was not over an animal but a plant, indigo. Indigo-growing was once as solid an occupation as wheat-raising or barbering. The enterprising and blessed-by-nature Hindus were the original indigo people, and devoted more than 2,000,000 acres to its cultivation. Southern Colonial America planted many thousands of acres with great profit but steady complaint from Colonial wives, who grumbled that it had an evil smell and drew cockroaches. Invention of the gin promised better results with cotton, and the husbands capitulated. Indigo disappeared from America, but not from India.

The dye was of high quality. Mummies in Egyptian tombs have been found with their shrouds unfaded after thousands of years. And indigo accounts for more than half the dye used, as blue is both our favorite hue and is a part of many other shades. In 1897, the route to India churned with hundreds of steamers, carrying the \$20,000,000 crop to England, Germany and the United States, textile centers of the globe.

"Indigo," as such, still remains an important dyestuff, but you'll find few indigo plants on the 2,000,000 Indian acres. They're sown in rice and millet, staving off the perennially-threatening famine. Chemists make excellent indigo from coal tar. In like manner they have rescued the cochineal bug which used to contribute to the scarlet coats of the British army, and have turned many thousands of acres in France to more useful purposes than raising madder root, which supplied the dye for Richelieu's crimson linen.

America's chemical production in dyes is all a product of the past two decades. In 1914, when the blockade cut off German dyes, this country was hard pressed. Only by special dispensation was enough green dye permitted to enter to print our banknotes and postage stamps. At that time 1,001 dyes of separate identity were listed. Of these, America made only 104, most of the rest were German. At present one U. S. dyemaker alone turns out as many kinds as the whole world did 25 years ago. Some 5,000 colors of more than 100,000 shades are manufactured in this country.

Still another prize of the Orient with an ancient history is now replaced by the laboratory. Chinese merchants in the Twelfth Century visited the little island of Formosa. There they found stately

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THE ANSWER IN A FLASH!

The MARCHANT does all the work. You do nothing but enter two factors...and presto! WITHOUT DELAY read the right answer.

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★2. Enter other factor in Single Row Keyboard... a visible check in Upper Dial.

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30th YEAR



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★ ★ ★

Want to buy a double-boiler?

Maybe it's no favor to you but the editors of this magazine think it is their job to keep your mind on your business.

Each month, when we select your 25 cents worth of reading material, we start with the premise that you want us to stick to Business—with a capital B. And we especially think that we should tell you how Washington moves and measures affect your plans and your general business policy.

So, in this issue you are now reading, we have given you 9 special articles of timely interest, a complete and detailed study of one great American industry and 9 regular features, which subscribers have indicated they want to see every month.

Then, as an extra dividend, we have 73 special stories about specific businesses and enterprises. To us, they are advertisements. To you, they are the latest news about transportation, insurance, office equipment, motors, plastics, beverages, tobaccos,—all kinds of goods and services.

But no double-boilers! We are pretty sure you use them, but we are certain that kitchen ware is not in your mind when you pick up this magazine.

You read Nation's Business because you are thinking about an activity that is 99% masculine—Business. You are making plans about Business—Your Business—with a capital Y and a capital B.

In the editorial pages of Nation's Business, you and 340,000 other executives find what you need to know to plan wisely for your general policy.

In the advertising pages you find what you must know about new products, new ways to reduce costs, new methods for doing more business—profitably.

NATION'S BUSINESS
*going to 340,000 men—the largest
group of business buyers in America*



trees with a strange balmy smell scenting the air for miles around. The natives, they learned, had a crude distillation process, producing from the trunks an aromatic white oil. This they compressed into cakes serving as amulets and pagan symbols. The Chinese were much pleased and named the stuff camphor.

Traders carried the trinkets home. From the bright bazaars of Cathay camphor headed inland, through desert and pulsing market places, to India and Egypt. Arab physicians found it was good for colds. The Chinese built up a monopoly which later passed to the Japanese as a concession of the first Sino-Japanese war.

Chemists find camphor at home

CAMPHOR came to have many uses in medicine and industry. When Hyatt discovered that he could make a plastic by mixing camphor with cotton and nitric acid, the demand skyrocketed. The Japanese, with great satisfaction, jumped the price to what the traffic would bear. It reached \$3.20 a pound in 1920.

Again chemical legerdemain was invoked. Today the du Ponts operate a plant making camphor from southern pine trees in ample quantities to suffice United States needs. The price is about 45 cents a pound. A man-made harvest gathers the fruits so long sacred to the fragrant forest of Formosa.

A trade route of increasing importance in recent years is that bringing in rubber. We consume more than half the world's rubber. We import every pound of it, mainly in foreign bottoms from the Malay states. This major artery of supply still functions. Last year we used fabulous quantities, yet the constant threat of war in that sector has caused no panic in Detroit or Akron.

The natural juice of the rubber tree is the best material known thus far for automobile tires. A short while ago, even thought of a possible cessation of rubber imports would have demoralized industry. Today the impending disaster brings no alarm, because America's chemists had given the world a new type of "rubber" made from coal, limestone and salt.

No one has as yet equipped an automobile with tires made of the chemist's rubber. As long as the plantation variety is at hand, there is no reason to forsake it. The chemical rubber at the moment is selling at about three times the natural market quotation. Even at that, it is cheaper than imported rubber was during the World War.

Not always has chemical advance eliminated the older trade line. Frequently it merely changes the direction, or substitutes another natural source. The quest is for better goods at lower prices. Sometimes it can be accomplished by importing one material in place of another.

Chinawood, or tung oil, for instance is brought here in huge quantities for use in paints and lacquers. Chemists found it was better than other oils. As long as we can get it economically from China, it will continue to be used—or until further development finds something better.

Medical progress showed the value of vitamins in maintaining health. Imports

of cod-liver oil from Scandinavia mushroomed more than 1,200 per cent.

Steelmakers, out to make a better product, found use for such metals as magnesium, tungsten and vanadium. New trade routes were built. The growth of the automobile industry fathered the American habit of polishing the family car. We beat a path to the jungles of Brazil for a peculiar tree called the carnauba, which supplies the wax used in all high-grade polishes. Copra and coconut oil are still imported in large quantities for soap making.

Sometimes the chemists' contribution is confined to showing how to use what we have. Before the World War, we depended for potash upon Germany, and paid a monopoly price. Now we have learned to use our own deposits in New Mexico and Arizona. Iodine until recently came from Chile; California has all we need.

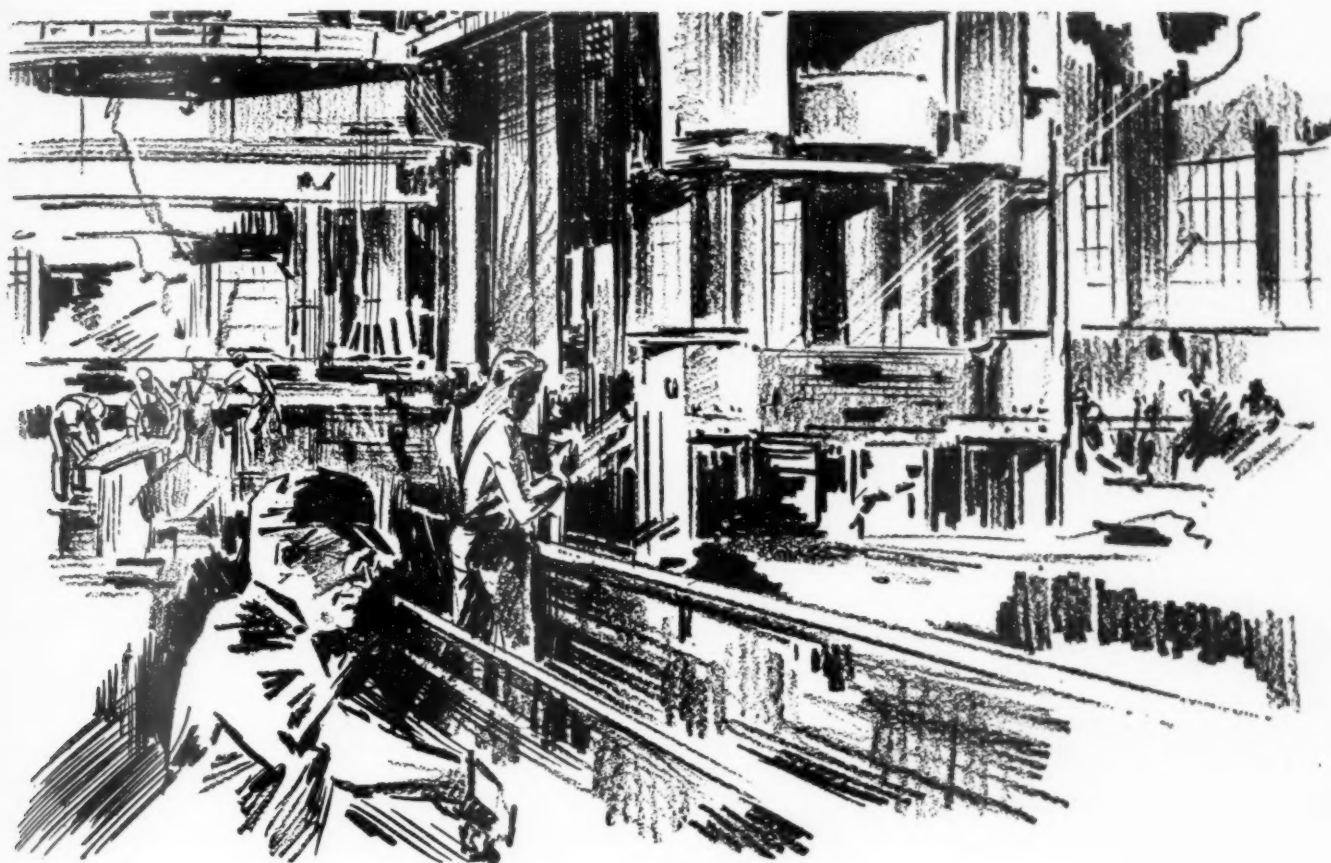
All the world's sulphur once came from Sicily, and Sicilians got rich shipping out the dirt from their backyards. Then deposits were found in Louisiana and Texas. Characteristic Yankee ingenuity extracted it from the earth's bowels by pouring in boiling water, melting the sulphur and bringing it up like an artesian well. More recently, we have been obtaining a great deal of sulphur by trapping it as it is separated from coal in coking.

It is true that, in many instances, this progress has banished natural sources, as it did the indigo plant. Take kauri, for example, the chances are you never heard of it, yet a few years ago it was a thriving industry in New Zealand. Kauri is a gum, found in spots where the kauri pine once grew. It was important because it made the best grade varnishes. In 1915 nearly 10,000,000 pounds were imported; last year a fifth of that. Other imported gums such as sandaras from Morocco have likewise gone into eclipse.

Today air-conditioned trains speed across deserts and underground pipelines carry oil hundreds of miles. Fast steamers ply the seas. The modern trail-blazer, however, does not depend on travel. His search for treasures may be carried on within four walls, yet his frontiers know no such geographical or social barriers as rivers, mountain ranges or customs inspectors. There is no duty on riches from the air except the resourcefulness of man. The rearrangement of chemical elements needs no standing army.

We are engaged in a new type of introspective imperialism based on science rather than conquest. Thus far the development has been fruitful, but forecasters predict even more striking results in the decades to come. Although 20 years ago the organic chemical industry in America was moribund, it now accounts for more than half the world's output. The emphasis is on exploration of unknown quantities.

More than 1,600 industrial research laboratories employing 60,000 workers are spending \$300,000,000 to pass on the benefits of the quest. That comes to about \$2 per capita. It's a small price to pay for American self-sufficiency and a brand-new design for living.



It Has Happened —in PENNSYLVANIA!

The go light has been flashed for business!

Nowhere more so than in the Philadelphia Area. Its five counties produce more than two billion dollars annually in value of products. Its mercantile outlets rate more than two-and-a-half billions in annual sales. There must be a reason. Here it is: the Philadelphia Area has always been unsurpassed as a place in which to make and sell.

Unlimited, reliable power at low cost is a prime factor in the Philadelphia Area's

industrial supremacy. In addition to furnishing such power, the Philadelphia Electric Company contributes to the economic structure that makes the Area great. In ten years this company has spent

\$139,000,000 in payrolls
\$96,000,000 in construction
\$109,000,000 in materials and fuels
\$35,000,000 in state and local taxes

The cumulative effect of its rate reductions made in the years 1930 to 1939 represents savings to the public of \$72,000,000.

PHILADELPHIA ELECTRIC COMPANY

Are You PROTECTED?

Is your business, plant, or building protected by the "CHICAGO"? If not—let us show you how you can SAVE—through the use of our equipment.



50 YEARS—

—solely devoted to the manufacture of Watchmen's Supervisory systems—offers ample proof of the integrity and dependability of Chicago Watchclock Equipment. Our company, our clocks, and our high standards of service have gained for us recognition as leaders in protective equipment manufacture.

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AMERICA'S MOST Talked About CHAIR

These triple feature Do/Mores offer 3 remarkable advantages:

- (1) Greater comfort and maintenance of good posture.
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- (3) Facility for needed relaxation.

If you want to experience the greatest chair thrill available today, wire collect, or write for further information on America's most talked about chair—or write for a no-obligation trial.

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DO/MORE

**YOUR GUIDE TO
GOOD LIVING IN ST. LOUIS**

Hotel
Mayfair
All rooms with bath—
radio reception

M E M O . . . for Busy Readers

1 • Travel is looking up 2 • Encouragement for aviation 3 • Canada invites us over 4 • Census to cover homes 5 • Readers can have more papers 6 • Noises we dislike

Travel Men See Big Year

IN addition to travel advertising sponsored by railroad, steamship, airline and bus companies, the states, our territorial possessions, Canada and other countries are spending millions in the United States on "community advertising." In some instances the promotional efforts concern themselves with attracting new industries, residents, agriculturists and health seekers.

Most states, as well as Canada and some of its provinces, Japan, Jamaica have made specific appropriations for advertising purposes. These funds to cover a year's schedules range from several thousand dollars to more than \$100,000. State commissions in charge of travel campaigns, as well as the quasi-public organizations, usually work through advertising agencies, use newspapers, magazines, outdoor, direct mail, radio.

Estimated expenditures in this field are figured roundly at \$5,000,000, approximately 20 per cent above last year's total. *Western Advertising Magazine*, San Francisco, which makes annual surveys, last year estimated total at \$4,250,000. Far western states alone will spend about 35 per cent of this.

In its January, 1940 issue, *Western Advertising* reports details of its latest survey, including data on advertising appropriations by community organizations for the past 15 years. Reports on nearly 200 active state, city and regional bodies are included.

States Boost Air Industries

GROWTH of aviation has prompted many states to stimulate development of aviation industries. New England states, notably Massachusetts, Connecticut and Rhode Island, are conspicuous examples. About 90 per cent, in dollar value, of output of airplane engines is concentrated in East Hartford, Conn., and Paterson, N. J.

Massachusetts Aeronautics Commission, established last September by the governor, has job of overseeing operation of state airports, assisting in development of new airports, and "endeavoring to bring the factories of manufacturing concerns to the state."

Connecticut Aeronautical Development Commission, created by the state's 1939 general assembly, was established

"to study airports and airways, to promote aviation and the aviation industry," and to report to the 1941 general assembly on matters of aviation policy. Rhode Island's Governor's Committee on Aviation must, as one of its duties, "promote aviation generally throughout the state."

At least 22 state commissions are members of the National Association of State Aviation Officials, reports the Council of State Governments which notes that "all members of the Association engage in promotion and regulation activities." Promotional activities are carried on for airport construction and development, airway aids, education and training. Member states include: Alabama, Connecticut, Florida, Idaho, Illinois, Iowa, Louisiana, Maine, Maryland, Massachusetts, Michigan, Nebraska, New Jersey, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia and West Virginia.

Canada Spikes A War Rumor

PRESIDENT'S proclamation of 1940 as "Travel America Year" stirred approving comment on home front, evoked hearty invitation from Canada's prime minister. Official welcome was assurance to prospective visitors that they could go and come as they pleased, definitely spiking lively rumor of drastic war-time regulation of travel amounting to internment of Americans crossing border.

Said an advertisement signed by Mackenzie King:

To visit Canada you have only to cross the most peaceful International Boundary in all the world. You do not require a passport.

You may move as freely as you do in your own country. You may leave Canada with the same informality and ease.

Census To Note Housing

HOUSING and home ownership will figure in the Sixteenth Decennial Census to begin in April. Schedules include 31 questions bearing on type of structure, equipment, and ownership. Total number of dwellings is estimated at 35,000,000.

Trade associations, financial groups and research organizations aided census officials in preparing the questions. Authority for the housing census was voted by Congress at its last session. Action

Helping to keep the Cost of Living DOWN!

THE cost of living is higher today than it was eight years ago, in 1932. It is difficult to see where any general reduction can take place in the near future. For one thing, there is the effect of the tremendous increase in national debt which we have not yet fully felt.

In June 1932, our Government's gross debt totaled about 19½ billion dollars; it spent about 4½ billion dollars that year.

In 1940 the figures show over 43 billion dollars of direct debt with over 9½ billion dollars being spent this year.

It is now costing over 1 billion dollars yearly to pay the interest on the national debt alone.

Not everything, of course, has been rising in price.

In the face of rising taxes and material costs, and with substantial wage increases, some American industries have actually succeeded in continuing to lower prices.

Among these, the electric power industry stands out prominently. It has been steadily and substantially reducing rates for electric service for American homes and

American industries, both large and small.

In respect to reduction in prices, the electric utility industry has a record unparalleled by any other industry, the product of which enters into the cost of living.

In 1932, the average home in the United States was using only 601 kilowatt hours of electricity annually. It is now using 900 kilowatt hours a year.

Eight years ago, this home paid an average

of 5.60c per kilowatt hour for electric service. Today it pays only 4.07c per kilowatt hour . . . a reduction of 27%.

In this country, the average cost of electric service in homes served by utility companies is lower than the average cost of service in communities which depend upon municipally-owned plants.

Here it is well to remember, again, that utility companies pay high taxes . . . Federal, State and local.

In the Commonwealth & Southern System, residential electric rates have steadily decreased since 1932 and the use of electricity in the home has steadily increased.

Eight years ago, the average household was buying from us only 675 kilowatt hours yearly and was paying an average rate of 5.12c per kilowatt hour.

Commonwealth & Southern System's

RATES to home users of electricity average 24% LESS than the national average, (C.&S., 3.09c; national, 4.07c—per kilowatt hour).

USE of electricity in the home averages 33% MORE than the national average. (C.&S., 1196; national, 900—kilowatt hours).

Today we are serving the average family with more than 1196 kilowatt hours per annum . . . 33% more electricity than is being used in the average American home. And, this family pays us an average of only 3.09c per kilowatt hour . . . exactly 24% less than the average rate paid by all American families.

The American people can count upon electric service remaining among the items which will not overtax their family budget . . . as long as fairly regulated utility companies provide the service and are, themselves, not over burdened with taxes.

Wendell L. Willkie, PRESIDENT

The Commonwealth & Southern Corporation

How to give your people a real break

and get better
work done

BEFORE



Install RA-TOX Offset Wood-Fabric Shades! NOTHING, outside of good drinking water, will win the good-will of people in your plant more quickly than this fool-proof, easily-installed device. Light without

glare! Fresh air without dangerous drafts! Here are the

AFTER



Seven Features of RA-TOX

1. Proved for 20 years.
2. Offset brackets insure perfect ventilation.
3. Made of linden-wood strips; seine twine.
4. Better light and air.
5. Quick, easy operation.
6. Reduce temperature up to 20 degrees.
7. Low per-year and up-keep costs.

Better working conditions mean more and better work, so write us now for complete story.

HOUGH SHADE CORP.
1047 JACKSON ST. JANESVILLE, WIS.

on the appropriation was deferred until the 1940 session.

Fortunes of Newspapers

NUMBER of newspapers of all classifications published in the United States in 1939 shows gain of 86 over 1938 as reported in seventy-second edition of N. W. Ayer & Son's *Directory of Newspapers and Periodicals*. Combined total of dailies, weeklies, semi-weeklies and tri-weeklies in publication was 13,281, compared with 13,195 at end of 1938. Although total of all newspapers increased, number of daily newspapers decreased by 41 in 1939. Publication of 2,015 dailies is reported—439 morning, 1,552 afternoon, 24 all day—a total of 2,056 at end of 1938.

Weeklies, semi-weeklies and tri-weeklies increased by 127. The Directory reports 10,860 weeklies in publication at end of the year. Total number of publications of all kinds moved up to 19,746, as compared with net increase of 368 over preceding year. Daily newspapers lost 1,244,718 subscribers in 1939. Total circulation at year's end was 39,434,382.

402 Laws, 1939 State Average

AVERAGE STATE legislature meeting in 1939, including 42 states, enacted 402 new statutes. California, with 1,124 new statutes, and Arizona, with 90, were the extremes. New York produced 927 statutes.

Many of these acts do not define new public policy. Some merely set up or

New house on 80th birthday



Clayton R. Burt, president (left), pulls whistle to start operations in new plant

As a part of its 80th anniversary observance, Pratt & Whitney is celebrating the completion of a new plant on a 120 acre plot in West Hartford, Conn.

The old plant composed of 23 multi-story buildings presented a serious problem in the handling of heavy castings involved in modern machine tool manufacture, but in the new one-story building, which is 1,000 feet long and 550 feet wide, production will be streamlined and parts will move only a few feet from one job to the next.

Emphasis has been given to the convenience and comfort of the 2,650 employees who will manufacture the precision machine tools, small tools and gages that have made the Pratt & Whitney trademark famous. Light, ventilation and electric lifting machines have been designed to help the worker retain his physical comfort. Hot meals will be served in the company cafeteria at cost. In addition, food trucks will move throughout the plant to give in-between snacks. Safety devices for all machines together with masks and goggles have been provided as well as a first aid station in charge of professional people.

Close attention to personnel relations has long been a fetish with the management and among the anniversary observances will be honors paid to 900 employees who wear service pins indicating ten or more years of steady employment with the company.

Graffco

NU-VISE
SIGNALS

for vertical card records



A real advance in signal construction. Easily attached but grip like a vise. No projections to catch other cards or sheets. Ask dealer to show you these and NU-VIZ (non-projecting) signals, or write us for full information.

GEORGE B. GRAFF COMPANY
80 Washburn Ave., Cambridge, Mass.

when the
NATION'S BUSINESSMEN
go to Washington

RATES FROM \$5



modify state or local administrative procedures, or provide for appropriations for financing regular state governmental activities. Others amend, replace or remove obsolete statutes.

Of the 57,925 bills placed in the legislative hoppers, 16,921 became law. Approximately 1,200 failed to meet approval of the various governors, were vetoed. Few bills were passed over a governor's veto.

Number of proposals considered by the 42 state legislatures included in report of the Council of State Governments surpassed by fewer than 1,000 the total submitted in 1937—56,962 bills. Number enacted was comparable, also—16,921 in 1939 and 16,690 in 1937. More bills were vetoed in 1937 than in 1939.

New York and California topped all in the number of bills introduced in their legislatures with 4,638 and 4,175 respectively. Average for the 42 states was 1,379. Twenty-four legislatures considered more than 1,000 bills each; eight, more than 2,000.

Chief executives of California, New York, Pennsylvania, Maryland and Illinois led the list as "veto" governors—refusing altogether approval to approximately 700 bills. California's governor vetoed nearly 275 bills. More than 200 were rejected by New York's chief executive.

Hotel Men List Noise Peeves

NEW YORK'S hotel men abhor noise, continue to campaign for its suppression, itemize 20 major annoyances in a scale with position determined by the number of complaints made by guests. The list:

- 1—Sounding of automobile horns.
- 2—Fire engines.
- 3—Noises from signal devices on automobiles, motorcycles, busses and street cars.
- 4—The creation of loud and excessive noises in connection with the loading or unloading of any vehicle and the opening or destruction of bales, boxes, crates and the like.
- 5—The sudden application of brakes.
- 6—The use of overloaded vehicles causing unnecessary grating, grinding and rattling.
- 7—Police radio cars.
- 8—Radios in waiting taxicabs.
- 9—The operation of radios, phonographs and amusement instruments between 11 p.m. and 7 a.m.
- 10—Altercations of taxicab drivers jockeying for position in feeder lines.
- 11—Motorcycles used in connection with delivering automobiles to and from garages.
- 12—Loose manhole covers.
- 13—The shouting and crying of peddlers, hawkers and vendors which disturb the peace and quiet of the neighborhood.
- 14—Discharge of exhaust from steam engines, stationary engines or motor vehicles without the use of a muffler.
- 15—Racing of motors while garage employees are tuning them up.
- 16—The keeping of animals or birds which disturb the repose of persons in hotels.
- 17—The erection, excavation, demolition or repair of buildings in the vicinity, except between the hours of 7 a.m. and 6 p.m.
- 18—The use of any loud speaker or

DISTINCTION

Pension plans have been arranged by The Prudential for the employees of some of America's foremost business enterprises.

Wise executives, men of international prominence, have selected The Prudential to install these retirement plans because they were convinced it would mean:—

STABILITY—LOW COST—SAFETY

The same service is available to you.

Address

Group Annuity Consultation Service

The Prudential Insurance Company of America

Home Office
Newark
New Jersey



Chicago Office
1742 Bankers Bldg.
105 W. Adams St.

A convenient digest of the Social Security Act (1939) is available upon request.

Advertisement



Arnold Genthe

INTERNATIONAL BUSINESS MACHINES CORPORATION
World Headquarters Building, 590 Madison Avenue, New York, N.Y.

"He Used that Gift Autopoint TO SIGN THE ORDER"



Let Imprinted Autopoints HELP YOUR SALES!

Give Autopoint pencils, imprinted with your name and sales message, to your best customers and prospects. Every day, month after month, your advertising will be in your prospect's hand—before his eyes—until it is firmly imprinted on his mind. This is advertising without waste—worth a hundred ads in the wastebasket. Men like and use an Autopoint. The tip grips the lead so it can't wobble, twist, slip out or break easily. The "37 Plans" book illustrates how thousands of firms build sales with imprinted Autopoint products. Write for it!

Autopoint
THE BETTER PENCIL

AUTOPOINT COMPANY Dept. N-3
1801 Foster Avenue Chicago, Illinois



*Combine vacation
and business.
Investigate Pensacola
opportunities*

On your southern vacation trip, visit picturesque, progressive Pensacola—and see for yourself the many opportunities for business and industry here. For booklet and special information write B. D. Langford, Mgr., Municipal Advertising Board.

PENSACOLA FLORIDA
on the Gulf

WHERE'LL WE STAY IN ST. LOUIS?



See
WOODSTOCK
TYPEWRITER

other instrument for attracting attention to any performance, show or sale or display of merchandise.

19—The use of mechanical loud speakers on trucks or other vehicles for advertising purposes.

20—The blowing of steam whistles attached to any stationary boiler.

Reporting for the city's hotel association, James A. McCarthy, executive secretary, contributed seven additional sources of noise: soapbox orators, organ grinders, whistles of apartment house doormen, signaling taxicab drivers, roller skating on sidewalks, stray cats, pushing of hand trucks over the sidewalks, as well as noises made by public utility companies engaged in night repair work.

A Question of Surety Bonds

city administrations. Pertinent question is whether renewal of surety bonds gives adequate protection.

For example, if a city treasurer's bond is \$10,000, and he embezzles \$30,000 over four or five years, surety company may be liable for only \$10,000 provided same bond has been renewed year after year. But if a new bond has been taken out every year, the city may be protected for the entire amount, since the \$10,000 protection will apply to the amount embezzled in each distinct year.

So argues the American Municipal Association, basing its conclusions on a survey of sample cities in four states—Michigan, North Carolina, South Dakota, and Wisconsin. A sound bonding policy, the Association asserts, should include six features:

Official bonds should be backed by corporate sureties rather than by personal bonds, such as local property-owners signing for city employees.

Official bonds should be provided by the municipality and paid for out of public funds.

The city should bond only officials and employees who handle either money or valuable property which may easily be converted into cash, and officials with statutory duties such as the collection of taxes.

Term of official bonds should be limited to one year. New bonds should be issued each year, eliminating renewals.

Groups of officials should be bonded by name rather than by positions they hold.

Bond should be adequate, but need not amount to more than financial responsibility of the position.

Origin of Ohio's Grist of Laws

ORIGIN of bills introduced in Ohio's legislature is chiefly traceable to organized lobbies and governmental agencies.

Of the 73 Senate bills which became law in 1929, 40 per cent originated in lobbies, 52 per cent in state and local governmental agencies, eight per cent in the Senate itself. Of the 97 Senate bills enacted in 1939, 39 per cent were of lobby origin, 45 per cent originated in governmental agencies, 16 per cent in Senators' offices.

Information on the origin of four-

fifths of the 677 bills introduced in the 1939 session of the House showed that lobbies promoted about 35 per cent of the total, sponsored 37 per cent of the 121 bills enacted. House members personally originated 24 per cent of all bills introduced, 25 per cent of all bills enacted.

Of the 89 bills introduced at the suggestion of state offices, 14 came from the office of the governor. Seven were enacted. Other bills sponsored by executive offices came from the conservation division, the department of education, the department of public welfare and the tax commission.

Sponsored measures were of many kinds. The interests responsible for them, according to a study made by Harvey Walker, professor of political science at Ohio State University, included "strong, well entrenched business and professional organizations." They included the state federation of labor, the Ohio wineries, automobile dealers and salesmen, funeral directors and dozens of other organized groups. Comments Professor Walker: "The wide range of interests represented may be considered typical of the varied constituency of the modern legislature. It also constitutes an index to the extent of organization among our people."

States Taking More in Taxes

STATE governments, which increased 1938 tax collections three per cent over 1936, continued a 25-year trend toward enlarging their portion of nation's tax dollar. States' portion of total \$14,811,000,000 tax returns in 1938 was \$3,857,000,000, or about 26 per cent. Federal taxes were \$6,034,000,000; local taxes, \$4,920,000,000.

Along with the states, the federal Government has collected a gradually but steadily increasing part of country's total taxes since 1912. While local governments then collected about three-fifths of total taxes, currently they collect one-third. In the period 1912-1938, proportion of state collections rose from 14.5 to 26 per cent; federal proportion from 28 to 41 per cent.

Shift in the proportions of revenue collected by the three levels of government, according to the Federation of Tax Administrators, is chiefly traceable to two factors: New activities undertaken by the state and federal governments, such as building of hard-surfaced highways, relief, and social security program; and to distribution of funds to local governments from state and federal taxes. Much money needed by local governments to meet demands for increased services has been raised by federal and state collections redistributed to the localities as grants-in-aid or shared taxes.

New Check on St. Paul Parking

ST. PAUL'S new plan for checking on overtime parkers uses patrolmen in plain clothes—four men for the 25 square blocks in the congested business area. This area is divided into 50 "beats", each beat taking in both sides of one lineal block. The checkers carry mimeographed report forms in a loose-leaf booklet. Each



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form is a diagram of the beat, showing available parking spaces, "no parking" zones, alley entrances, etc. Parking spaces on both sides of the street are numbered from one to maximum number of cars that can be accommodated.

Plain-clothes man covers a beat in one hour and 20 minutes, then changes beats. He does not take license numbers of parked cars at the beginning of checking period, but remains in the block and records parking movements, making charges of overparking where warranted. In an eight-hour period, one man

checks six beats, allowing 20 minutes for issuance of overparking tags and for move from one beat to another.

Beats are not policed in regular sequence. Each day each patrolman draws from a box the numbers of beats he will police that day, each beat being numbered. The officer checks the beats in the order in which they are drawn.

Since August 15, 1939, when plan was put in effect, all-day parkers have been eliminated. Parking space is available in almost every block in the congested district.

Training Men to Look Ahead

(Continued from page 32)

ornament will logically give way to the soberer virtues of economy and durability.

In the field of human relations, a certainty of profound future significance has revealed itself. With the advent of mass production and mass distribution in this country, people everywhere were encouraged to believe that, whether high or low in station, they differed from one another in degree rather than in kind. As consumers, every one could be like every one else. There need be nothing in the most luxurious household that could not find its less expensive counterpart in the workingman's cottage.

To a surprising extent this concept has been made a reality. Its importance to our industrial future lies in the fact that it is now accepted as a truism by these same people in their rôle as producers. A company which in future years makes the difference between president and common laborer, in all

aspects of their working life, one of degree rather than kind, will find itself riding forward upon an inevitable up-draft of advantage in point of labor attitude and morale.

With the increasing transfer of physical effort to the machine, this principle becomes increasingly easy to apply because, once a man no longer depends upon his muscle for his wage, he becomes indeed a manager, since control of mechanical force involves many skills similar to those which we call managerial. Management is far more universal in application than we have been willing to admit. Again opportunity beckons.

I think of a metal-working establishment in a large eastern city which early capitalized this principle. The nature of its product was such that its skilled mechanics were necessarily men of considerable versatility. Such men were hard to find and hard to keep. Profit margins were not sufficient to permit a marked

Advertising dollars chase dictators



Edward M. Kirby, Director of
Public Relations, Nat'l Ass'n
of Broadcasters

"Remove the advertising dollar and the social and political life of America faces but two alternatives; the presses would turn no more or, supported by tax funds, they would turn out a newspaper dominated by the whims of those risen to political power. Take away the opportunity of radio to pay its own way and force government subsidy and control and we would permit a duplication of the acts of a dictator."

differential in wage rate when compared with similar activities elsewhere.

This company discovered that the simple procedure of placing men of established attainment upon a salary provided a degree of satisfaction which almost completely eliminated difficulties in labor turnover. To know that he was paid "just like the boss" brought the workman a dignity and family prestige which tapped unexpected depths of loyalty and zeal.

Character is important

MOST potent of all trends of certainty is that which bears upon the growing need for character in business. Throughout our country, there are signs of growing dissatisfaction at the ease with which the nations of the world have laid aside promise and contract in the interests of momentary expediency. More than this, business men are now receiving ample evidence of the unfortunate results which follow upon such policies. Unless all signs fail, American industry has determined to profit from these examples.

A little time ago an acquaintance of mine had occasion to deal with a considerable number of employees in the central office of a large public utility, and became impressed with the uniformly high quality of the men with whom he conferred. He finally mentioned this to a personnel officer who responded:

This condition is not the result of chance. A number of years ago our president laid down the policy that every new employee should meet rigid qualifications of character and that these specifications should take precedence over all other factors. He argued that if we took upon the pay roll men or women of very high personal standards who did not precisely fit the work as anticipated, it would be comparatively easy in a large organization to find opportunity for the full use of their talent. Conversely, persons with the best technical qualifications might, over the years, prove of limited usefulness or even become liabilities should character fail to measure up to increasing responsibilities. So we have brought in employees of whom we may be proud and whose proficiency it has been a pleasure to develop.

Industry has a lot of thinking to do in the years to come. When it is realized that moral and mental health go hand in hand, we have before us a trend of certainty which is plain to see.

I have said that I believe industrialists are in a mood to act. It will not be for long that we and our neighbors in the Americas may continue to depend upon the oceans as barriers from the storm and strife of other lands. There is left to us a precious interval in which to get our house in order. We have now an opportunity not likely to come again, in which to dignify the position of leadership which the turn of world events has opened to us.

American industry has come of age and American business men are recognizing the new responsibilities which are entailed. Expediency in business policy is to be replaced by a more deliberate and thoughtful progressiveness, based upon the long-term trends of certainty.



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The Story of Steenstrup

IN 1901 a young Danish toolmaker began work in the General Electric shops in Schenectady. One day he hit on an idea for making a machine safer and more efficient. The boss had his doubts, but Chris Steenstrup proved his idea would work. Today, beloved by his fellow engineers, with 110 patents to his credit, Chris is still looking for ways to improve things.

Chris welcomes tough engineering assignments. For instance, he solved one of the toughest problems in the building of Dr. Alexanderson's great radio alternators which made possible radio communication with Europe during the World War. Back when there were very few domestic electric refrigerators in the country, Chris got the job of devising a long-lived and efficient refrigerator. After months of work he designed a mechanism that ushered in a new era in American living. For from it General Electric developed the first sealed-in-steel refrigerator mechanism—the principle that has helped bring the comforts of electric refrigeration to 14 million American families.

Chris Steenstrup's contributions to more comfortable living are typical of the hundreds made by General Electric men and women. For years they have been putting electricity to work in the home and in industry, helping to make all manufactured products more plentiful and less expensive, enriching our lives—providing More Goods for More People at Less Cost.

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